



Good health  
starts from  
within.



# Living the Good Health Belief



At Dr. Reddy's, we are driven by the conviction that Good Health Can't Wait. We work tirelessly to create an environment of innovation and learning. This objective enables us to help patients across the world gain access to affordable healthcare.

We are a global organisation, with products across the pharmaceutical value chain designed to offer solutions for unmet medical needs and better access

to existing medicines. Our offerings cover Active Pharmaceutical Ingredients (APIs), Branded Formulations, Generic Drugs, Biologics, Specialty Products and New Chemical Entities (NCE).

Our corporate mandate is to create greater access to affordable medicines and reach patients worldwide. We have a strong presence in key generics markets globally. Our medicines and services are available in North America, Europe and the emerging markets of Asia, Africa and South America. This helps us stay close to patients, doctors, healthcare providers and business partners, wherever they are.

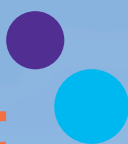
We are headquartered in Hyderabad, India, with a presence across 26 countries. Our manufacturing facilities are supported by five technology development centres, two integrated product development facilities and three R&D centres.

## BRINGING AFFORDABLE HEALTHCARE TO EVERYONE

Our purpose of accelerating access to affordable and innovative medicines brings us closer to making affordable healthcare available to everyone because Good Health Can't Wait.



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## Our Promises

Our five Promises clarify what we do, what we offer and the commitments we make to our customers. Our patients trust our medicines. We focus our energies on renewing this trust every day. As we keep the interests of our patients at the centre of all that we do, our Promises drive us to reach higher levels of excellence.

Bringing  
expensive  
medicines within  
reach

Addressing  
unmet patient  
needs

Helping patients  
manage disease  
better

Enabling  
and helping  
our partners  
ensure that our  
medicines are  
available where  
needed

Working with  
partners and  
helping them  
succeed



# Message from the Chairman



**K Satish Reddy**  
Chairman

## Dear Shareholder,

Even as the world experiences economic turbulence and slowdown, contributing to a general lack of cheer as far as economic growth goes, India continues to deliver a standout performance and grow at a rapid pace. At the same time, however, ensuring access to quality healthcare remains a primary challenge for governments and communities.

At Dr. Reddy's we continue to advance on our purpose of accelerating access to affordable and innovative medicines and delivering on our brand promises. Despite the challenges in our operating environment, we have managed to stay resilient and report a credible performance. We had our fair share of challenges, which we are working hard to surmount and overcome.

Let me give you a synopsis of your Company's performance in FY2016.

- Consolidated revenues grew by 4% over the previous year to ₹ 154.7 billion.
- Gross profit margin was at 59.6%, 2 percentage points higher.
- EBITDA was more or less unchanged at ₹ 36.3 billion, and accounted for 23.4% of consolidated revenues. After adjusting for the impact of devaluation and translation of net monetary assets in Venezuela, EBITDA was 26.7% of revenues at ₹ 41.2 billion.
- PBT was 4% less at ₹ 27.1 billion, 17.5% of revenues.
- PAT was 10% less at ₹ 20 billion, 12.9% of revenues.

We need to share with you the reasons for your Company's somewhat subdued performance in FY2016, which was broadly the result of three key events:

**First:** The USFDA inspected three of our plants between November 2014 and March 2015. In November 2015, they sent a warning letter to your Company. We have responded to them with a comprehensive plan of corrective and remedial actions with clear timelines. However, this event and the remedial steps that followed have delayed launches of key products and certain APIs which, in turn, significantly lowered incremental revenues.

**Second:** The economic problems in Russia and the sharp devaluation of the rouble led to a decline in our revenues from Russia by 29% to ₹ 10.6 billion.

**Third:** The continuing economic crisis in Venezuela led to a clampdown on foreign exchange outflows due to which your Company received no approvals from the Venezuelan government to repatriate amounts beyond US\$ 4 million. The remaining Venezuelan net monetary assets were translated using the DICOM rate resulting in a write-down of ₹ 5.09 billion.

These three factors notwithstanding, there were several commendable developments which reinforce your Company's position as a key participant in the global pharmaceutical industry.

Revenues from North America grew by 19% to ₹ 75.4 billion. The sustained performance of our injectables franchise and market share gains in key molecules were the main reason.

Revenues from India also grew at 19%, reaching ₹ 21.3 billion. This was primarily due to the continued momentum of our mega-brands, some profitable business development deals and the good performance of pharmaceutical products acquired from UCB in April 2015.

Europe did well too. Revenues from generics expanded by 19% to ₹ 7.7 billion. Growth was driven largely by two complex generic products:

(i) aripiprazole, used in treating schizophrenia and bipolar disorder, and (ii) pregabalin, used to treat epilepsy, neuropathic pain and anxiety disorder.

We are particularly proud of the advances made in our Proprietary Products (PP) business. We launched Zembrace™ SymTouch™, used in treating migraines, approved by the USFDA in January 2016. In May 2016, we launched Sernivo™, a prescription topical steroid spray, used for mild to moderate plaque psoriasis, after receiving USFDA approval. Sernivo™ exemplifies your Company's focus on differentiated drug delivery.

We have also initiated a share buyback to leverage strong cashflows, strengthen our balance sheet and deliver value to you, our shareholders.

What do I foresee for the next year? It is difficult to assess the probable situation in Venezuela and Russia in the near future. In case of Venezuela, your Company has decided to supply medicines only against letters of credit or pre-payment. We are cautiously optimistic about Russia, given that there is a gradual recovery in the crude prices, and its direct impact on the rouble. We have started strengthening our pipeline with complex generics, better OTC offerings, and increasing our institutional/hospitals business.

We have undertaken remedial measures with an extreme sense of urgency and purpose. Therefore, I am reasonably confident that we will resolve the issues at the earliest and continue to focus on driving growth.

Our growth, going forward, will be driven by the attractive pipeline of complex generics as well as our new proprietary products. We will leverage these across the markets we operate in, together with increasing our OTC portfolio. We are creating a branded generics platform in North America and expanding our

## We accelerate access to affordable and innovative medicines because Good Health Can't Wait.

biologics play in Russia, CIS and other emerging markets. The outlook for the API business is also positive.

We truly believe that delivering good health requires more than just good products. In order to deliver good health, we must build a business which is robust, around processes that are best-in-class, and with a mindset that is long-term, while investing in high-quality assets and the best people. Over the years, we have consistently demonstrated our ability to do so and continuously improve from within. We are building an organisation on the foundation of operational excellence (OE), with a strong product pipeline and a sustainable business model that is value-accretive for all the stakeholders.

Operational excellence (OE) acts as a bulwark against adversities and margin challenges thereby empowering our people to become engines of our growth.

For us to fulfil our stated purpose of accelerating access to affordable and innovative medicines, we have to continue tirelessly on the journey towards excellence in every facet.

The Board and I are truly grateful for the support that we continue to receive from all our stakeholders. Let's chart the good health path together starting from within.

Best wishes,



**K Satish Reddy**  
Chairman

# Message from the Co-Chairman & CEO



**G V Prasad**  
Co-Chairman  
& CEO

## Dear Shareholder,

India holds the potential of being a global manufacturing leader. Yet there are many barriers that are holding it back - a weak public infrastructure, poor hygiene and sanitation conditions, and a mindset that does not instinctively think world-class. While things are changing, the journey is still a long one. In this context, it is organisations such as yours that can lead the way for a renaissance in Indian manufacturing. And we are well on that journey.

'Good health starts from within'. This precept is as true for companies as it is for people. Over the years, Dr. Reddy's has had an enviable record of business growth and profitability built on the foundation of deep scientific expertise, relentless execution, responsible business practices and an unwavering commitment to do the right thing.

During the year FY2016, we encountered challenging circumstances on a few fronts. Yet, unexpectedly, they served as timely reminders, and even inspiration, to renew our focus on operational excellence and shape a more impactful future for your Company. We made significant investments of time and resources in strengthening the three foundational aspects of operational excellence - People, Systems & Processes, and Technology.

**Our purpose of accelerating access to affordable and innovative medicines continues to inspire us each day.**

Over the years, Dr. Reddy's has maintained an enviable growth record in business and profitability, built on the foundation of deep scientific expertise, relentless execution, responsible business practices and an unwavering commitment to do the right thing.

### EMPOWERING PEOPLE ON THE SHOP FLOOR

This year, we extended the spread of Self-Managed Teams (SMTs) to more of our existing facilities. The SMT program is one of our leading interventions that successfully drives meaningful change and responsible empowerment on the shop floor. In this program, we recruit youngsters who have completed class 12, from economically disadvantaged backgrounds. We train them for several months after which they are employed in our factories. We also enrol them in a custom-designed undergraduate program in a local university. They graduate in about 5 years while they continue to work.

Equipped with the right skills, appropriate tools and an enabling environment they are able to determine, plan and manage their jobs end-to-end, thereby eliminating the need for hierarchy. In our experience, SMT recruits stand apart from their industry peers and deliver high quality output. 'The SMT Way' as we call it, is a cultural shift calling for change not only in work practices, but also in the thinking process. We have witnessed that our SMT recruits become highly skilled technicians and grow in their respective fields, be it at Dr. Reddy's or elsewhere in the health industry.

### REWIRING OUR QUALITY SYSTEMS

We set out to rewire our quality systems from grounds-up. This involved overhauling our Standard Operating Procedures by removing redundancies, simplifying, creating better and more complete procedures, and harmonising the entire system. We made structural changes for ensuring the quality of our products throughout their life cycle, while also providing vital integration between product development, quality and manufacturing on an ongoing basis. I firmly believe that as a result of our efforts we will have a much stronger quality system by the end of 2016.

### USING TECHNOLOGY TO ELIMINATE HUMAN ERROR

The need for providing dignity of labour and our own enhanced safety goals have steered us to accelerate the mechanization and automation at our units, allowing us to redeploy our human resources towards value-added and more productive work. This has also led to improved productivity, better consistency in quality and shorter turnaround times. We are also speeding up digitisation across the key product development functions through design and deployment of large-scale projects that significantly reduce manual intervention and thereby minimise error.

As we continue our journey towards excellence, we are constantly finding ways to ensure that the way we develop, manufacture, and ship our products has minimal impact on the environment. We are refining all our processes to do things more resource efficiently, reducing our carbon footprint each year and making our operations much more sustainable. Be it our drive towards operational excellence or making our products available in various regions around the world, every time I reflect on the work that we do, I am inspired by the potential we have to create a difference in the lives of patients. The chance to restore the health

of an ailing person, the ability to reach large numbers of people through greater affordability, and the power to listen and respond to unmet needs of patients: these are really the opportunities we have in our everyday work!

Our purpose of accelerating access to affordable and innovative medicines continues to inspire us each day, provides objectivity in all our decisions, and keeps our moral compass firmly pointed in the right direction.

Best wishes,



**G V Prasad**  
Co-Chairman & CEO



# Our Businesses

## GLOBAL GENERICS



- Revenues from the GG segment grew by 7% to ₹ 128.1 billion.
- Revenues from North America grew by 19% to ₹ 75.4 billion.
- Revenues from Russia and other CIS countries declined to ₹ 13.3 billion.
- Revenues from India grew by 19% to ₹ 21.3 billion.

### GLOBAL GENERICS

Global Generics is our biggest business driver. We offer more than 200 high-quality generic drugs, keeping costs reasonable by leveraging our integrated operations. Our expertise in active ingredients, product development skills, a keen understanding of regulations and intellectual property rights, as well as our streamlined supply chain, makes us leaders in this segment.

### BIOLOGICS

Our biosimilars, generic equivalents of the innovator's biologics, offer affordable yet equally effective alternatives. Our product development capabilities and commercial reach have made us global leaders in this therapeutic area. We have four products in the market and an industry-leading pipeline spanning oncology, nephrology and auto-immune diseases.

## PHARMACEUTICAL SERVICES & ACTIVE INGREDIENTS



Revenues from the PSAI segment declined to ₹ 22.4 billion.

### ACTIVE PHARMACEUTICALS INGREDIENTS

We are one of the world's largest manufacturers of Active Pharmaceutical Ingredients (APIs) and we partner with several leading innovator companies in bringing their molecules first to the market. Our focus on innovation-led affordability gives our customers access to the most complex active ingredients, while maintaining a consistent global quality standard. Besides, our APIs development efforts enable our own generics business to be cost competitive and get to market faster.

### CUSTOM PHARMACEUTICAL SERVICES

Dr. Reddy's has one of the largest custom pharmaceutical services businesses in India. We offer end to end product development and manufacturing services and solutions to innovator companies. Further, our rich and extensive knowledge repository of various types of formulations helps shorten time to market and support lifecycle management.

## PROPRIETARY PRODUCTS & OTHERS



Revenues from Proprietary Products & others was ₹ 4.3 billion, grew by 28%.

### PROPRIETARY PRODUCTS

Inspired by patients and driven by innovation, our Proprietary Products business is focused on developing treatment solutions for patients suffering from skin and neurological disorders. Our R&D pipeline reflects the convergence of deep patient insights, pre-clinical, clinical and regulatory expertise in the development of products that address pressing medical needs of various patient subgroups. The ultimate goal for the Proprietary Products business and Promius Pharma is to enable health outcomes that help patients live a normal life.

In 2016, three New Drug Applications (NDAs) were approved by the FDA and two products are commercially available in the US market for the treatment of migraine and psoriasis.



**GLOBAL PRESENCE**



- SALES & MARKETING OFFICES
- RESEARCH & DEVELOPMENT CENTRES
- MANUFACTURING FACILITIES
- HEADQUARTERS

**FY2016 HIGHLIGHTS**

REVENUES

**₹154.7 bn**

EBITDA

**₹36.3 bn**

ADJUSTED EBITDA

**₹41.2 bn**

PROFIT AFTER TAX

**₹20.0 bn**

DILUTED EPS

**₹117**

**FY2016 FILINGS AND LAUNCHES**

**GENERAL FILINGS (13 ANDA FILINGS & 1 NDA)**

As on 31 March 2016, 82 generic filings are pending for approval (79 ANDAs and three NDAs). Of these 79 ANDAs, 52 are Para IV filings and we believe, 18 to have 'First-to-File' status.

**50 DMF FILINGS**

8 DMFs were filed in the US. As on 31 March 2016, there were 768 cumulative DMF filings.

**51 NEW PRODUCTS**

51 new products were launched in FY2016, of which 3 are in NAG, 9 in EUG, 22 in Emerging markets and 17 in India.

**GLOBAL WORKFORCE**

**20,000+**

**COMMERCIAL PRESENCE**

**26 Countries**

# Key Performance Indicators



**CHART A: REVENUES (₹ MILLION)**



Revenues grew by 4% y-o-y primarily on account of our Global Generics segment's operations in North America, Europe and India.

**12.5%**  
5 YR CAGR

**CHART B: GROSS PROFIT (₹ MILLION)**



Gross Profit as a percentage to sales, improved primarily due to an increase in new product contribution, incremental export benefit and favourable product mix.

**CHART C: EBITDA (₹ MILLION)**



EBITDA increased to ₹ 36,252 million or 23.4% of revenues.

**9.3%**  
5 YR CAGR

**CHART D: PBT (₹ MILLION)**



**10.1%**  
5 YR CAGR

### REVENUE DISTRIBUTION AND GEOGRAPHICAL MIX FY2016 (%)



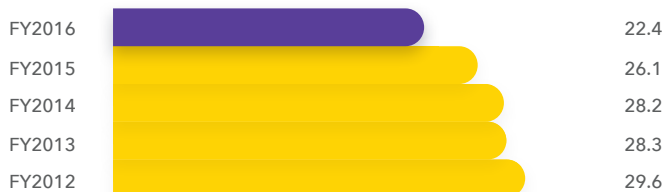
**CHART E: PAT (₹ MILLION)**



**CHART F: NET WORTH (₹ MILLION)**



**CHART G: ROCE (%)**



**CHART H: EPS (DILUTED) (₹)**



**8.7%**  
5 YR CAGR



# Operational Excellence

At Dr. Reddy's, we have set ourselves a purpose of accelerating access to affordable and innovative medicines, because Good Health Can't Wait. To this end, we have committed ourselves to five promises: to bring expensive medicines within reach, to address unmet patient needs, to help patients manage disease better, to work with our partners and help them succeed, and to enable and help our partners to ensure that our medicines are available where needed.

As a Company that strives to be patient centric in its every aspect, we realise that fulfilling our purpose and keeping our promises calls for a commitment that is shared across our global organisation. It calls for a culture of excellence to permeate every level of the company, in every function, unit and location. It requires an attitude of continuous improvement, wherein employees inherently look to make every operation they are engaged in, better.

Developing and sustaining this culture is what Operational Excellence is all about.

Such a pervasive and enduring transformation does not happen overnight. It emerges out of a strategic vision that is distilled into a well-designed programme, which is further deconstructed into actionable steps. We defined eight pillars on which we would begin building a culture of excellence: People, Safety, Quality, Availability, Productivity, Engineering Excellence, Environment & Community, and Continuous Improvement.

Over the last two years, we have set goals, designed and implemented several programmes for each of these pillars, to instil an abiding desire for accelerated improvement in every employee.

People are the backbone of every organisation. We believe that an empowered individual is one who will strive for excellence. Through initiatives

like the Self Managed Teams on the shop floor, the Dr. Reddy's Recognition Centre and alliances with leading universities, we empower, reward and enhance the knowledge and skills of our people. Thus enabling them to give their best, expand their capabilities and grow into leadership roles. In FY2016, we also rolled out the People Management Effectiveness Programme which went a long way in honing the leadership abilities of line managers.

There cannot be excellence without a close focus on quality, to which engineering excellence is inseparably linked. In FY2016, we upgraded our quality incident investigation (QII) system to make it more robust, agile and line-owned, and are taking strides towards digitising the entire value chain from product development to distribution, making in-plant processes error free through automation. Our SEZ plant at Pydibhimavaram, Srikakulam was established with next generation paperless manufacturing technology and we now envisage the migration of all our plants to smart technologies. We have had visible results: we have achieved a first time right status of 95% at our formulations plants.

The assured availability of our products on pharmacy shelves is critical to the fulfilment of our purpose. This calls for improvements in both productivity and supply chain movement. We initiated the Intelligent Integration project to develop a robust, agile and resilient supply chain system that is wholly integrated from end to end of the value stream. This is yielding promising results and the effort is on to further strengthen it. We institutionalised PACE, a productivity enhancement programme, across the Company and benchmarked ourselves against the best in the world through globally recognised mechanisms such as POBOS (A McKinsey benchmarking tool for pharma). This helped to achieve a sustained increase of the machine productivity at our formulations plants.

## OUR EIGHT PILLARS



**PEOPLE**



**SAFETY**



**QUALITY**



**AVAILABILITY**



**PRODUCTIVITY**



**ENGINEERING EXCELLENCE**



**ENVIRONMENT & COMMUNITY**



**CONTINUOUS IMPROVEMENT**

We piloted a business continuity plan and reduced risk through increased environmental and regulatory compliance. We also took decisive steps to ensure the timely completion of all capacity expansion projects.

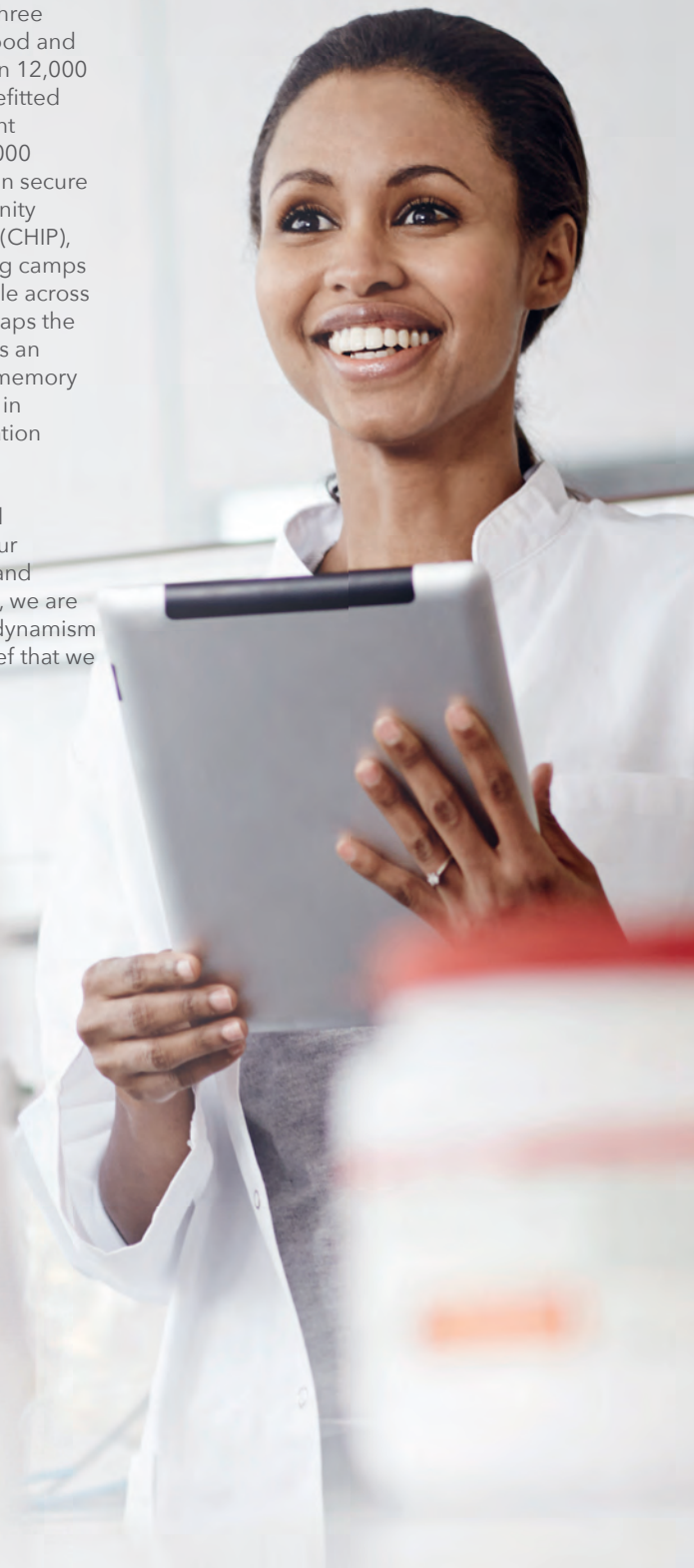
A safe workplace is a more efficient and productive workplace and thus is a key driver of excellence. A number of programs and initiatives, such as 'Parivartan' and the 'Safety Star Caps' have instilled a sense of deep ownership across all levels to build an organisational attitude that places a high priority on safety, has zero tolerance towards violations and drives awareness at the shop floor.

An aspect of operational excellence that is often overlooked is the impact that an organisation has on the community and the environment. It is not excellence if it contributes to environmental degradation and weakens the local community. At Dr. Reddy's, we take our responsibility to the planet and society very seriously. For instance, all our plants are zero discharge ones, which means that all the liquid waste and effluent they generate is treated within their premises and reused. We upcycle 86% of our organic waste by identifying and supplying it to other industries, who can use it as raw material. Today, we meet more than 10% of our energy

needs from renewable sources and this figure is growing. Our Corporate Social Responsibility activities go well beyond that stipulated by the Government of India. We primarily focus on three broad areas - education, livelihood and healthcare. In FY2016, more than 12,000 students in rural Telangana benefitted through our School Improvement Programme. We trained over 7,000 young adults to help them obtain secure livelihood. Through the Community Health Intervention Programme (CHIP), we conducted medical screening camps that benefitted over 7,500 people across 145 villages. In fact, we are perhaps the only corporate company that has an annual Week of Giving, held in memory of our founder Dr. K Anji Reddy, in which the entire global organisation participates.

The journey to excellence is well underway at Dr. Reddy's. With our sights set on global leadership and plans in place to attain that goal, we are continuously driven to act with dynamism in delivering upon the core belief that we all share:

**Good Health Can't Wait.**







**Expanding  
capacity  
to ensure  
availability**





## METOPROLOL - EXPANDING CAPACITY TO ENSURE AVAILABILITY

The capacity enhancement project of Metoprolol is a great example of how the commitment to our purpose pervades across functions at Dr. Reddy's. It bears testimony to our promise of ensuring our medicines are available where needed and demonstrates how collaboration and teamwork creates shared success.

Metoprolol is a beta-blocker that is used to treat angina (chest pain), hypertension (high blood pressure) and also to treat or prevent heart attacks. As such, it is an essential and life-saving drug.

At Dr. Reddy's we have our own line of Metoprolol Succinate being sold in the US markets.

In 2015, supplies of Metoprolol in the market lagged demand as a result of unexpected disruptions in existing supply channels. A severe shortage was imminent. Colleagues in Dr. Reddy's supply chain were the first to glean this information and brought it to the notice of our manufacturing team to see whether production could be increased to meet the shortfall.

There was another issue. Since demand sometimes exceeded production by as much as 30%, the product had to be shipped by air to ensure timely availability. This further pushed up costs.

After a careful analysis of the market situation, the teams concluded that we

would have to increase our capacity by 50% - from 50 million tablets per month to 75 million, in order to halve the shortfall, at the very least.

This was no easy task and we would have to move fast as well.

A Lean-Six Sigma project was initiated to identify how we could accelerate the manufacturing process and increase output. After carefully de-constructing and analysing the entire process flow, the team identified three major issues that were impacting productivity: waiting time for quality control, machine cleaning time and agglomerate screening time. Further, the lack of flexibility in batch size options was hampering our ability to meet the market demand for different dosage strengths.

The team rapidly put an action plan in place to tackle these problems, with telling results.

- Quality control waiting time was reduced from 11 days to 6.
- Machine cleaning time, a critical part of the process, was reduced from 21 hours to 13, while still keeping the machines contaminant free and sterile to the required standards.
- Agglomerates screening times were reduced from 320 hours to just 40 per month.
- A new variation of 100 mg tablets was optimised and the rejection of excess OCP pellets was reduced by 40 kg per batch.

# 71 mn

Tablet Production.

**A Lean-Six Sigma project was initiated to identify how we could accelerate the manufacturing process and increase output.**

Overall, the product lead time was reduced from 25 days to 18, and 5 days were made available for capacity enhancement.

With these measures in place, we were able to enhance our production from 45 million tablets a month to 71 million, which went a long way in ensuring that this essential drug was available on pharmacy shelves when patients needed it.

## RESULTS OF THE ACTION PLAN

Quality control waiting time was reduced from 11 days to 6.

Machine cleaning time, a critical part of the process, was reduced from 21 hours to 13, while still keeping the machines contaminant free and sterile to the required standards.

Agglomerates screening times were reduced from 320 hours to just 40 per month.

A new variation of 100 mg tablets was optimised and the rejection of excess OCP pellets was reduced by 40 kg per batch.



**Keeping patients  
at the centre  
of product  
development**



## ZEMBRACE™ SYMTOUCH™ AND SERNIVO™ SPRAY - KEEPING PATIENTS AT THE CENTRE OF PRODUCT DEVELOPMENT TO HELP THEM MANAGE DISEASE BETTER

Helping patients manage disease better calls for a close understanding of not just the diseases, but how they affect patients' lives and what they expect as outcomes. The latter often being much more than managing symptoms. It also calls for sustained effort, intensive interaction with patients and doctors, and close collaboration between various functions and teams. Ultimately, it entails thinking beyond medicine.

Zembrace™ SymTouch™, the sumatriptan self-injector to treat migraine, and Sernivo™ spray, the topical steroid to treat plaque psoriasis, both recently launched in the US, demonstrate how well we make this happen at Dr. Reddy's.

The story of these products started in 2009, when a team of scientists, formulators, clinicians and marketers, from our wholly-owned subsidiary Promius Pharma and the Proprietary Products group, came together with one goal - to build an R&D pipeline of proprietary products, and become a key driver of growth.

The team zeroed in on two areas of focus - dermatology and neurology, more specifically plaque psoriasis and migraine. Both these conditions presented

interestingly similar challenges. They both have multiple subgroups of patients, who have diverse needs, though they suffer from the same ailment. The intensity of each disease episode varies and the symptomatic manifestation can be different too.

People with plaque psoriasis experience a lot of discomfort, both physical and emotional. The condition causes itchiness and pain, it can be very unsightly as well and its occurrence is very uncertain. On the other hand, those who suffer from acute migraine endure severe headaches which may be accompanied by nausea and sensitivity to light and sound. They are often forced to confine themselves to a room for hours on end.

The team realised that they needed to understand the patients' needs more closely - how they managed their conditions, their journey through the diagnosis and treatment process, their frustrations with their medication, and ultimately what outcomes they really desired. After several rounds of interactions with patients and doctors, the team discovered that, more than a cure, patients were most concerned about being able to resume their normal lives as quickly as possible.

**Zembrace™ SymTouch™ comes as a boon to the many migraine patients, who were dissatisfied with the drug in pill form.**

What followed was an exemplary display of cross functional collaboration. The R&D, IP/Legal, Marketing and Manufacturing teams put their heads together, and developed Zembrace™ SymTouch™ and Sernivo™ Spray, from concept to commercialisation, in a record time of three years.

Zembrace™ SymTouch™ comes as a boon to the many migraine patients, who were dissatisfied with the drug in pill form because of associated conditions such as nausea, or because they wanted much quicker relief.

Sernivo™ Spray represents a similar approach to helping patients, with mild to moderate plaque psoriasis, get back to normal by providing symptomatic relief. An elegant cosmetic spray, it has a much higher safety profile and is the industry's first mid-potent topical steroid to treat psoriasis.

### PROBLEM

Identified the problem area - neurology and dermatology, more specifically migraine and plaque psoriasis.

### INSIGHT

Understood that the patients were more concerned about being able to resume their normal lives as quickly as possible.

### SOLUTION

The team came together to develop Zembrace™ SymTouch™ and SERNIVO™ Spray for much quicker relief.



**Enhancing  
production and  
supply to meet  
patient needs**





## ZOLEDRONIC ACID - ENHANCING PRODUCTION AND SUPPLY TO MEET PATIENT NEEDS

Creative thinking and collaboration with partners enabled Dr. Reddy's to help avert a critical shortage of a vital drug in the United Kingdom (UK), Zoledronic acid, used to treat osteoporosis and Paget's disease of the bone in adults.

Zoledronic acid solution for infusion was put on the national critical shortage list when the existing supplier that covered 80% of the UK market demand was unable to continue supply to the Department of Health (DoH). As a result, clinics had to delay or decline treatment to patients.

The DoH and Dr. Reddy's began a collaboration to find ways to address this national crisis, since the company also supplied this product in the UK (except Northern Ireland) at the time. Increasing production by five times was possible, but it would require a few months to implement, while the current supply would run out in a few weeks at the regular levels of demand across England, Scotland and Wales. The need for a solution became urgent.

In order to meet this challenge, a strategy was devised to manage the supplies available without compromising care to patients. The team at Dr. Reddy's together with the DoH, NHS Pharmacy Procurement

Leads and wholesalers, began to leverage their individual capabilities to arrive at a solution.

By working together, they were able to analyse the historical data across the UK to determine the average number of orders per month and to understand which hospitals had the greatest clinical need. Then, a process was devised and implemented with wholesalers to optimise volumes for each hospital, based on criticality of the requirement. This process was modified for specialist centres so they could order additional medicines that exceeded their assigned volume. The Dr. Reddy's Customer Services team worked closely with those specialist centres to make available an additional supply of medicine on a justified, case-by-case basis.

As a result, even though there was a limited supply of Zoledronic acid, the UK never ran out of the medicine, and those that were in critical need got the medicines they required. This strategy also gave Dr. Reddy's the time needed to increase production five-fold. Starting July 2016, hospitals will receive their regular volumes from wholesalers and Zoledronic acid will be available across the UK.

**The team at Dr. Reddy's together with the DoH, NHS Pharmacy Procurement Leads and wholesalers, began to leverage their individual capabilities to arrive at a solution.**

### THE PROCEDURE

Dr. Reddy's Customer Services team worked closely with specialist centres and analysed the historical data across the UK to determine the average number of orders per month.

Understood which hospitals had the greatest clinical need.

A process was devised and implemented with wholesalers to optimise volumes for each hospital, based on criticality of the requirement.

This process was modified for specialist centres so that they could order additional medicines that exceeded their assigned volume.



**Achieving process  
excellence to  
ensure medicine  
availability**

## GLOBAL GENERICS "INTELLIGENT INTEGRATION" SUPPLY CHAIN PROJECT - ACHIEVING PROCESS EXCELLENCE TO ENSURE MEDICINE AVAILABILITY

The most efficacious medicine in the world is of little use if it isn't in the pharmacy when patients need it. This is why, at Dr. Reddy's, we have committed ourselves to enable and help our partners ensure that our medicines are available when needed. The Global Generics 'Intelligent Integration' project, initiated by our Supply Chain team, offers proven evidence of the strength of our commitment to keep this promise.

Today, we live in globally connected and yet volatile times. Consequently, a problem in any one region can trigger a ripple effect across the world. Supply Chain Management plays a critical role in ensuring that the entire product journey, from factory to pharmacy, happens seamlessly and shields patients from any unforeseen market dynamics.

Evolving such a system for Dr. Reddy's is a complex process as we are a global organisation with decentralised manufacturing and a market reach that is as deep as it is wide. Yet this very structure made it all the more essential for us to have a tight, future proof system.

Colleagues in Supply Chain initiated the 'i^2 - Intelligent Integration' project to drive end to end supply chain integration for Dr. Reddy's Global Generics business. It had to be implemented across the global supply chain and would necessarily cover every single Stock Keeping Unit (SKU) across plants and locations.

The team studied the existing system closely, identified areas that needed to be optimised and created tangible success on the ground. The team decided to embed end to end integrated planning solutions such as SAP APO and execution systems like SAP ECC with pharma specific supply chain optimisation logic and business rules. It worked like magic.

Today all back end supply chain activities are driven wholly by forecasts. The network is modelled on realistic lead times and preferred shipment modes.

By using differentiated planning logic, we can now ensure that planning & execution always happens as per business priorities. All factory resources are modelled with their capacity constraints, to realise a feasible constrained production plan for the next 6 months. Production is scheduled for 4 weeks on a rolling basis, with the first week's plan being frozen. This gives stability to the shop floor as well as flexibility to react to changes rapidly. Also, strategic business plans are reviewed for potential supply constraints so that proactive action can be taken to resolve bottlenecks.

Optimal safety stock norms have been defined to ensure that only necessary inventory levels are maintained. Further, net requirements for each SKU are calculated on a monthly basis, at each node of the supply chain, to avoid both low and excess stock situations.

**We have been able to maintain and improve On Time In Full (OTIF) delivery in all key markets, achieving 97% in North America and 92% in Russia.**

Finally, the health of the supply chain is continuously assessed using real time analytics, so that its performance can be optimised rapidly.

The proof of the project is in the execution and the business impact is telling. We have been able to maintain and improve On Time In Full (OTIF) delivery in all key markets, achieving 97% in North America and 92% in Russia. Inventory levels have come down considerably without affecting customer service levels. The Cost of Poor Execution (COPE) reduced by 22% from the previous year. We now make more efficient use of manpower - manual intervention is less than 10% in production planning in our FTOs and has reduced by 74% in the creation of Procurement Requisitions. Transfer price invoices are now generated automatically for all inter-company transactions, which minimises compliance risks and accelerates export procedures. Finally, sea shipments have increased in Russia from 60% to 81%, in Romania from 25% to 79%, in Ukraine from 10% to 59%, in UK from 30% to 58% and in Germany from 35% to 46%, further bringing down costs.

### INCREASE IN SEA SHIPMENT





**Helping  
healthcare  
professionals  
in Russia**



## MEDZNAT - HELPING HEALTHCARE PROFESSIONALS IN RUSSIA STAY ON TOP OF SCIENTIFIC ADVANCEMENTS IN THEIR FIELD

Medznat, our digital information platform in Russia, bears excellent testimony to our commitment to work with our partners and help them succeed.

Today, medical science and healthcare are evolving at a rapid pace. Every day giant strides are being made in our understanding of the human systems, of diseases, their possible causes, and cure. Yet, information about these advancements is fragmented, spread across various sources, and not always available in all languages. It is extremely difficult for healthcare professionals to keep pace with them, as they are always hard pressed for time.

Recognising this latent need of healthcare professionals in Russia, we launched Medznat, a mobile and web based App that enables doctors to keep up to date with the latest scientific knowledge and insights relevant to their practice. Based on the doctor's areas of interest, Medznat automatically presents information ranging from medical news, regulatory updates, case studies, full-text articles, procedural demonstration, scientific reviews, smart guidelines, drug flashcards, and other useful material. All the content is carefully curated from highly credible sources, translated into a simple and concise form in Russian and English, and presented as text, audio or video. The application also has features that allow users to easily share information for patients on managing their disease, have

ready access to drug information and simplified management guidelines, and keep track of important conferences.

Interestingly, the name of the App has been formed by combining Med, for medicine, with znat, a word which means 'know' in Russian and other Slavic languages, together connoting Medical Knowledge.

Medznat was launched in April 2016 and has already received very positive feedback from experts in the field. Among other benefits, they found it to have well-thought out features that are not available anywhere else, truly helping them save a lot of time.

Given our knowledge and expertise in the area of pain management, we focused our efforts in this therapy area first. However, with the number of healthcare professionals using Medznat rising exponentially every week, requests have been pouring in to extend it to other therapy areas as well. This is something that the Medznat team is currently working on and the future should see the application serving as a comprehensive resource of up to date medical information for healthcare practitioners.

Medznat is yet another service from Dr. Reddy's that demonstrates the empathy with which we approach our work to address unmet needs, driven by our belief that Good Health Can't Wait.

Medznat is yet another service from Dr. Reddy's that demonstrates the empathy with which we approach our work to address unmet needs, driven by our belief that Good Health Can't Wait.

# Board of Directors



**Mr. K Satish Reddy**  
Chairman

- C5
- C6
- C7
- C8

Mr. K Satish Reddy joined the Company in 1993 as Executive Director and since then has held positions of increasing responsibility as Managing Director in 1997 and Vice-Chairman & Managing Director in 2013. Mr. Reddy led the Company's transition from a uni-focused manufacturer of Active Pharmaceutical Ingredients (APIs) to a company that moved up the value chain with a diverse product portfolio of Finished Dosage Formulations. He oversaw the expansion and the establishment of a strong footprint for Dr. Reddy's finished dosage products in Russia, CIS countries and other emerging markets. Keeping true to the legacy of the founder of the Company, Dr. K Anji Reddy, Mr. K Satish Reddy drives the Company's Corporate Social Responsibility initiatives. Mr. Reddy holds a degree in Chemical Engineering from Osmania University, Hyderabad and a Masters in Medicinal Chemistry from Purdue University, USA.



**Mr. G V Prasad**  
Co-Chairman, Managing Director and  
Chief Executive Officer

- C5
- C6
- C7
- C8

Mr. Prasad leads the core team at Dr. Reddy's that has contributed significantly to its transformation from a mid-sized domestic operation into a global pharmaceutical major. He is the architect of Dr. Reddy's successful Global Generics and Active Pharmaceutical Ingredient (API) strategies, as well as the Company's foray into Biosimilars and Differentiated Formulations. Mr. Prasad is engaged in strengthening the Company's research and development capabilities, supporting progressive people practices and building a holistic culture of operational excellence. He was declared India's Best CEO in the Large Company category by Business Today in 2014, and India Business Leader of the Year by CNBC Asia in 2015. Mr. Prasad holds a degree in Chemical Engineering from the Illinois Institute of Technology, Chicago, USA and a Masters in Industrial Administration from Purdue University, USA.

## DR. REDDY'S BOARD LEVEL COMMITTEES

- COMMITTEE MEMBERSHIP
- COMMITTEE CHAIRMANSHIP

- |   |   |
|---|---|
| <b>C1</b> Audit Committee                                   | <b>C5</b> Stakeholders Relationship Committee       |
| <b>C2</b> Nomination, Governance and Compensation Committee | <b>C6</b> Corporate Social Responsibility Committee |
| <b>C3</b> Science, Technology and Operations Committee      | <b>C7</b> Investment Committee                      |
| <b>C4</b> Risk Management Committee                         | <b>C8</b> Management Committee                      |





**Mr. Anupam Puri**  
Independent Director

C2 C3

Mr. Puri joined our Board in 2002 prior to which he was associated with McKinsey & Company. He spearheaded the development of McKinsey's India practice, oversaw the Asian and Latin American offices and was an elected member of their Board. He is currently a management consultant. He is also on the Boards of Mahindra & Mahindra Limited, Tech Mahindra Limited, Mumbai Mantra Media Limited and the Company's wholly-owned subsidiary, Dr. Reddy's Laboratories Inc., USA. Mr. Puri holds an M.Phil. in Economics from Nuffield College, Oxford University, UK, an M.A. in Economics from Balliol College, Oxford University and a B.A. in Economics from Delhi University, India.



**Dr. Ashok S Ganguly**  
Independent Director

C2 C3

Dr. Ganguly joined our Board in 2009. He is currently the Chairman of ABP Private Ltd. (Ananda Bazar Patrika Group). He was the Chairman of Hindustan Lever Ltd. from 1980 to 1990 and member of the Unilever Plc Board from 1990 to 1997. He was an Independent Director of British Airways from 1996 to 2005. He was a Director on the Central Board of Reserve Bank of India from 2001 to 2009. He also serves as a Director on the Board of Wipro Ltd. He is a recipient of the 'Padma Vibhushan', two of India's prestigious civilian honors and a CBE (Hon) from the UK. He was also a member of the Rajya Sabha, the upper house of the Parliament of India, from 18 November 2009 to 17 November 2015.



**Mr. Bharat Narotam Doshi**  
Independent Director

C1 C2 C5 C6 C8

Mr. Doshi joined our Board in May 2016. He is a former Executive Director and Group CFO of Mahindra & Mahindra Limited. He was also the Chairman of Mahindra & Mahindra Financial Services Limited since April 2008 and he stepped down from this position on his nomination as Director on the Central Board of Directors of the Reserve Bank of India in March 2016. He is the Chairman of Mahindra Intertrade Limited and a Director on the Board of Mahindra Holdings Limited. He is also an Independent Director of Godrej Consumer Products Limited. He also serves on the Advisory Board of Excellence Enablers, an organisation committed to promoting corporate governance in India. Mr. Doshi is a Fellow Member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India and holds a Master's degree in Law from Bombay University. He is an alumnus of Harvard Business School (PMD) and Fellow of the Salzburg Seminar on 'Asian Economies: Regional and Global Relationships'.



**Dr. Bruce L A Carter**  
Independent Director

C3 C4

Dr. Carter joined our Board in 2008, prior to which he was the Chairman of the Board and Chief Executive Officer of ZymoGenetics Inc., USA. He has also served as the Corporate Executive Vice President and Chief Scientific Officer for Novo Nordisk A/S. Dr. Carter held various positions of increasing responsibility at G.D. Searle & Co., Ltd. from 1982 to 1986 and was a Lecturer at Trinity College, University of Dublin, from 1975 to 1982. Dr. Carter is also on the Board of Xencor Inc., Enanta Pharmaceutical Inc. and TB Alliance, all in the US and our wholly-owned subsidiary, Aurigene Discovery Technologies Ltd., in India. Dr. Carter received a B.Sc. with Honors in Botany from the University of Nottingham, England and a Ph.D. in Microbiology from Queen Elizabeth College, University of London.



**Mr. Hans Peter Hasler**  
Independent Director

Mr. Hans Peter Hasler is the Principal of HPH Management GmbH, Küssnacht, Switzerland, the Chairman of HBM Healthcare Investments AG in Zug since June 2009 and Founder of Vicarius Pharma Limited AG, in Switzerland. He is also the Chairman of the Board of Medical Imaging Analysis Center (MIAC) of the University Hospital, Basel, a non-profit organisation, since December 2012 and a Director on the Board of Patheon Inc., USA and AOP Orphan Pharmaceuticals, Austria. Mr. Hasler holds a Federal Swiss Commercial Diploma from Canton of Bern, Switzerland (Kaufmann) and Diploma in Business Management from Swiss Institute of Business, Zurich. Mr. Hasler is an experienced Pharma and Biotech Executive and has an international track record and in-depth operational, commercial and general management expertise. He also acts as top-level advisor to the life-science industry. In his career, he has managed the growth of leading players in the pharmaceutical industry and successfully launched several blockbuster drugs.



**Ms. Kalpana Morparia**  
Independent Director

C1 C2 C5

Ms. Morparia joined our Board in 2007. She is the Chief Executive Officer of J P Morgan, South and Southeast Asia. Ms. Morparia is a member of J P Morgan's Asia Pacific Management Committee. Prior to joining J.P. Morgan India, Ms. Morparia served as Vice Chair on the Boards of ICICI Group Companies and was the Joint Managing Director of ICICI Group from 2001 to 2007. She has been recognised by several international and national media for her role as one of the leading women professionals. She serves as an Independent Director on the Boards of Philip Morris International Inc., USA, Hindustan Unilever Limited and as a Non-Executive Director on J P Morgan Asset Management India Private Limited and J P Morgan Services India Private Limited. She is also a Member of the Governing Board of Bharti Foundation. She is a graduate in Science and Law from Bombay University.



**Dr. Omkar Goswami**  
Independent Director

C1 C4

Dr. Goswami joined our Board in 2000. He is the Founder and Chairman of CERG Advisory Private Ltd., a consulting and advisory firm. He taught and researched Economics for 18 years at reputed institutions like the Oxford University, Harvard University, Tufts University and the Delhi School of Economics. Later, he became the Editor of Business India. He is also a Director on the Boards of Crompton Greaves Ltd., Ambuja Cements Ltd., Cairn India Ltd., DSP Black Rock Investment Managers Private Ltd., Godrej Consumer Products Ltd., Bajaj Finance Ltd., Max Healthcare Institute Ltd., Hindustan Construction Company Ltd., IDFC Financial Holding Company Ltd. and Infosys BPO Ltd. Dr. Goswami did his Masters in Economics from the Delhi School of Economics and his D.Phil. (Ph.D.) from Oxford University.



**Mr. Ravi Bhoothalingam**  
Independent Director

C1 C2 C5 C6 C7 C8

Mr. Bhoothalingam joined our Board in 2000. He has served as the President of the Oberoi Group of Hotels and was responsible for the Group's worldwide operations. He has also served as Head of Personnel at British American Tobacco (BAT) Plc, Managing Director of VST Industries Ltd. and as a Director of ITC Ltd. He is also a Director of Sona Koyo Steering Systems Ltd. Mr. Bhoothalingam holds a Bachelor of Science degree in Physics from St. Stephens College, Delhi and Master's degree in Experimental Psychology from Gonville and Caius College, Cambridge University.



**Mr. Sridar Iyengar**  
Independent Director

C1 C4

Mr. Iyengar joined our Board in 2011. He is an independent mentor investor in early stage start-ups and companies. Earlier he was a senior partner with KPMG in the US and UK and also served as the Chairman & CEO of KPMG's operations in India. Mr. Iyengar also holds Directorship in Rediff.com India Ltd., Mahindra Holidays and Resorts India Ltd., CL Educate Ltd., ICICI Venture Funds Management Company Ltd., Cleartrip Private Ltd., CL Media Private Limited in India; AverQ Inc., Rediff Holdings Inc. in the US; Cleartrip Inc. in Cayman Islands; Holiday Club Resorts OY in Finland and our wholly-owned subsidiary, Dr. Reddy's Laboratories S.A., in Switzerland. He holds a B.Com. (Hons.) degree from the University of Calcutta and is a Fellow member of the Institute of Chartered Accountants in England and Wales.



# Management Council



## STANDING (L-R)

M V Ramana

Dr. Raghav Chari

Alok Sonig

Abhijit Mukherjee

Ganadhish Kamat

Dr. S Chandrasekhar

Dr. Cartikeya Reddy

Dr. K V S Ram Rao

## SITTING (L-R)

Saumen Chakraborty

Samiran Das

G V Prasad

K Satish Reddy

Dr. Amit Biswas

- 1 **K SATISH REDDY**  
**Chairman**  
Age 49 | B.Tech., M.S.(Medicinal Chemistry)  
Joined the Company on 18 January 1993
- 2 **G V PRASAD**  
**Co-Chairman, Managing Director and Chief Executive Officer**  
Age 56 | B.Sc.(Chem. Eng.), M.S.(Indl. Admn.)  
Joined the Company on 30 June 1990
- 3 **ABHIJIT MUKHERJEE**  
**Chief Operating Officer**  
Age 58 | B.Tech.(Chem.)  
Joined the Company on 15 January 2003
- 4 **DR. S CHANDRASEKHAR**  
**President and Global Head-Human Resources**  
Age 59 | MBA, Ph.D.  
Joined the Company on 12 August 2013
- 5 **M V RAMANA**  
**Executive Vice President and Head-Branded Markets (India & Emerging Markets)**  
Age 48 | MBA  
Joined the Company on 15 October 1992
- 6 **SAMIRAN DAS**  
**Executive Vice President and Head-Global Manufacturing Operations**  
Age 56 | B.Tech.(Mech.)  
Joined the Company on 15 June 2011
- 7 **SAUMEN CHAKRABORTY**  
**President, Chief Financial Officer and Global Head-IT & BPE**  
Age 55 | B.Sc.(H), MBA  
Joined the Company on 2 July 2001
- 8 **ALOK SONIG**  
**Executive Vice President and Head-North America Generics**  
Age 44 | B.E., MBA  
Joined the Company on 11 June 2012
- 9 **DR. RAGHAV CHARI**  
**Executive Vice President and Head-Proprietary Products**  
Age 46 | M.S. (Physics), Ph.D.  
Joined the Company on 25 September 2006
- 10 **DR. CARTIKEYA REDDY**  
**Executive Vice President and Head-Biologics**  
Age 46 | B.Tech., M.S., Ph.D.  
Joined the Company on 20 July 2004
- 11 **GANADHISH KAMAT**  
**Executive Vice President and Global Head-Quality**  
Age 53 | M.Pharm., Diploma in Business Management  
Joined the Company on 18 April 2016
- 12 **DR. K V S RAM RAO**  
**Sr. Vice President and Business Head-PSAI Commercial Organisation**  
Age 53 | B.Tech., M.E., Ph.D.(Chem. Engg.)  
Joined the Company on 3 April 2000
- 13 **DR. AMIT BISWAS**  
**Executive Vice President and Head-Integrated Product Development**  
Age 56 | B.Tech.(Chem.), Masters (Polymer Science), Ph.D.  
Joined the Company on 12 July 2011



# Business Responsibility Report



At Dr. Reddy's we are always mindful of the triple bottom line - people, planet and profits in all our operational activities. The trust and faith of our partners and stakeholders in the way we do business, has helped us follow through in our vision and efforts of integrating sustainability and responsibility within the organisation.





## Disclosures on the nine principles as charted by the Ministry of Corporate Affairs in the “National Voluntary Guidelines (NVG) on Social, Environmental and Economic Responsibilities of Business”.



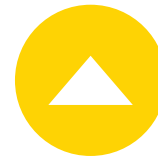
### **PRINCIPLE 1** **ETHICS** **TRANSPARENCY &** **ACCOUNTABILITY**

Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.



### **PRINCIPLE 2** **PRODUCT LIFE CYCLE** **SUSTAINABILITY**

Businesses should provide goods and services that are safe and contribute to sustainability throughout their lifecycle.



### **PRINCIPLE 3** **EMPLOYEE** **WELL-BEING**

Businesses should promote the well-being of all employees.



### **PRINCIPLE 4** **STAKEHOLDER** **ENGAGEMENT**

Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.



### **PRINCIPLE 5** **HUMAN RIGHTS**

Businesses should respect and promote human rights.



### **PRINCIPLE 6** **ENVIRONMENT**

Businesses should respect, protect and make efforts to restore the environment.



### **PRINCIPLE 7** **POLICY ADVOCACY**

Businesses, when engaged in influencing public regulatory policy, should do so in a responsible manner.



### **PRINCIPLE 8** **EQUITABLE** **DEVELOPMENT**

Businesses should support inclusive growth and equitable development.



### **PRINCIPLE 9** **CUSTOMER VALUE**

Businesses should engage with and provide value to their customers and consumers in a responsible manner.

**SECTION A****CORPORATE IDENTITY NUMBER (CIN) OF THE COMPANY**

L85195TG1984PLC004507

**NAME OF THE COMPANY**

Dr. Reddy's Laboratories Ltd.

**REGISTERED ADDRESS**8-2-337, Road No. 3, Banjara Hills,  
Hyderabad 500 034, India**WEBSITE**

www.drreddys.com

**E-MAIL ID**

shares@drreddys.com

**FINANCIAL YEAR REPORTED**

April 2015 to March 2016

**SECTOR(S) THAT THE COMPANY IS ENGAGED IN (INDUSTRIAL ACTIVITY CODE-WISE)**

Pharmaceuticals

**LIST THREE KEY PRODUCTS/SERVICES THAT THE COMPANY MANUFACTURES/PROVIDES (AS IN BALANCE SHEET)**Decitabine, Omeprazole and  
Valgancyclovir**TOTAL NUMBER OF LOCATIONS, WHERE BUSINESS ACTIVITY IS UNDERTAKEN BY THE COMPANY**

Our manufacturing, sales and marketing operations span around 26 countries. We also serve API customers globally.

**1. Number of international locations (Provide details of major 5)**

We have manufacturing facilities in Tennessee, New York, Mexico, Louisiana (USA) and Mirfield (UK), one R&D Centre in Princeton (USA) and three Development Centres in Princeton (USA), Cambridge (UK) and Leiden (The Netherlands). Refer page 81.

**2. Number of national locations**

18 manufacturing units, 4 R&D units, 2 Technology Development Centres. Refer page 80-81.

**MARKETS SERVED BY THE COMPANY - LOCAL/STATE/NATIONAL/INTERNATIONAL**

Our major markets include United States of America (USA), India, Russia and CIS, Germany, United Kingdom (UK) and Venezuela.

We also reach out to patients in various other markets like South Africa, Australia, Jamaica, New Zealand, Brazil, China and Association of South East Asian Nations (ASEAN) Countries.

**SECTION B****PAID UP CAPITAL (₹)**

₹ 853 million (as on 31 March 2016)

**TOTAL TURNOVER (STANDALONE) (₹)**

₹ 104,525 million (as on 31 March 2016)

**TOTAL PROFIT AFTER TAXES (STANDALONE) (₹)**

₹ 13,545 million (as on 31 March 2016)

**TOTAL SPENDING ON CORPORATE SOCIAL RESPONSIBILITY (CSR) AS A PERCENTAGE OF PROFIT AFTER TAX (%)**

Total spending on CSR as a percentage of Profit after tax of FY2016 is 3.04%

**LIST OF ACTIVITIES IN WHICH THE ABOVE EXPENDITURE HAS BEEN INCURRED**

Refer to Principle 8 on page 37

**SECTION C****DOES THE COMPANY HAVE ANY SUBSIDIARY COMPANY/COMPANIES?**

Yes

**DO THE SUBSIDIARY COMPANY/COMPANIES PARTICIPATE IN THE BR INITIATIVES OF THE PARENT COMPANY? IF YES, THEN INDICATE THE NUMBER OF SUCH SUBSIDIARY COMPANY(S)**

Our subsidiary companies are closely integrated with our corporate BR initiatives.

**DO ANY OTHER ENTITY/ENTITIES (E.G. SUPPLIERS, DISTRIBUTORS, ETC.) THAT THE COMPANY DOES BUSINESS WITH, PARTICIPATE IN THE BR INITIATIVES OF THE COMPANY? IF YES, THEN INDICATE THE PERCENTAGE OF SUCH ENTITY/ENTITIES? [LESS THAN 30%, 30-60%, MORE THAN 60%]**

Yes. We have a Code of Conduct for partners, which we expect them to follow.

For more details, please refer to: [www.drreddys.com/media/325465/supplier\\_codeofconduct.pdf](http://www.drreddys.com/media/325465/supplier_codeofconduct.pdf)

**SECTION D****A. DETAILS OF THE DIRECTOR RESPONSIBLE FOR THE IMPLEMENTATION OF BR POLICY/POLICIES**

Mr. K Satish Reddy  
Chairman  
DIN: 00129701

**B. DETAILS OF THE BR HEAD;**

Mr. Alok Mehrotra  
Vice-President & Head, Global Quality Management  
Tel: +91-40-4900 2339  
E-mail ID: alokm@drreddys.com  
DIN (if applicable): NA

**C. INDICATE THE FREQUENCY WITH WHICH THE BOARD OF DIRECTORS, COMMITTEES OF THE BOARD OR CEO TO ASSESS THE BR PERFORMANCE OF THE COMPANY.**

3-6 months.

**D. DOES THE COMPANY PUBLISH A BR OR SUSTAINABILITY REPORT? WHAT IS THE HYPERLINK FOR VIEWING THIS REPORT? HOW FREQUENTLY IS IT PUBLISHED?**

Yes, the company publishes both a BR and a sustainability report. The sustainability report can be viewed at [www.drreddys.com/our-citizenship/sustainability.aspx](http://www.drreddys.com/our-citizenship/sustainability.aspx) The BR can be viewed as part of the annual report. They are published annually.



3.04%

Total spending on CSR as a percentage of Profit after tax of FY2016

**TABLE 1 PRINCIPLE-WISE (AS PER NVGs) BR POLICY/POLICIES (REPLY IN Y/N)**

SL. NO.	PRINCIPLE-WISE (AS PER NVGs) BR POLICY/POLICIES (REPLY IN Y/N)	P1 ETHICS, TRANSPARENCY AND ACCOUNTABILITY	P2 PRODUCT LIFE CYCLE SUSTAINABILITY	P3 EMPLOYEE WELL-BEING	P4 STAKEHOLDER ENGAGEMENT	P5 HUMAN RIGHTS	P6 ENVIRONMENT	P7 POLICY ADVOCACY	P8 EQUITABLE DEVELOPMENT	P9 CUSTOMER VALUE
1	Do you have a policy/policies for....	Yes	Yes	Yes	Yes	We comply with all the statutory requirements. All the contracts and standing orders include relevant aspects of Human Rights.	Yes		Yes	Yes
2	Has the policy being formulated in consultation with the relevant stakeholders?	Yes	Yes	Yes	Yes	All the standing orders are co-signed by the recognized union.	Yes		Yes	Yes
3	Does the policy conform to any national/international standards? If yes, specify? (50 words)	We have adopted a Code of Business Ethics (COBE) which conforms to national and international standards. This applies to all the Directors and employees across the group.	We abide by all laws of the land and are a signatory to the 10 principles of the UN Global Compact. We take into account industry best practices and global benchmarks in defining our policies.	Yes, we conform to the required labor law in each country. Apart from that, we continuously benchmark our policies with competition in different markets and review them as needed.	We abide by all laws of the land and are a signatory to the 10 principles of the UN Global Compact. We take into account industry best practices and global benchmarks in defining our policies.	Yes, the policy conforms to national standards pertinent to Human Rights.	Yes, the policy is in line with national standards.		Yes, the policy is in line with national standards.	We abide by all laws of the land and are a signatory to the 10 principles of the UN Global Compact. We take into account industry best practices and global benchmarks in defining our policies.
4	Has the policy being approved by the Board? If yes, has it been signed by MD/owner/CEO/appropriate Board Director?	Yes, it has been approved by the Board.	Statutory policies are placed before the Board for consideration and approval. All other policies are approved by the CEO.	Policies in India are approved by CHRO and international policies by COO. The Management Council (MC) and relevant stakeholders are consulted.	Statutory policies are placed before the Board for consideration and approval. All other policies are approved by the CEO.	Policies in India are approved by CHRO and international policies by COO. The MC and relevant stakeholders are consulted.	Yes	NA	Yes	Statutory policies are placed before the Board for consideration and approval. All other policies are approved by CEO/MD.
5	Does the Company have a specified committee of the Board/Director/Official to oversee the implementation of the policy?	Yes	The responsibility of the implementation policies and their review primarily lies with the respective business/function head.	All policy changes are discussed in HR Leadership team meeting. The MC and relevant stakeholders are consulted before taking it for approval.	The responsibility of the implementation policies and their review primarily lies with the respective business/function head.	NA	Yes		Yes	The responsibility of the implementation policies and their review primarily lies with the respective business/function head.
6	Indicate the link for the policy to be viewed online?	<a href="http://www.drreddys.com/investors/governance/code-of-business-conduct-and-ethics-cobe.aspx">www.drreddys.com/investors/governance/code-of-business-conduct-and-ethics-cobe.aspx</a>	<a href="http://www.drreddys.com/media/123467/she_policy.pdf">www.drreddys.com/media/123467/she_policy.pdf</a>	NA	<a href="http://www.drreddys.com/media/123467/she_policy.pdf">www.drreddys.com/media/123467/she_policy.pdf</a>	<a href="http://www.drreddys.com/investors/governance/code-of-business-conduct-and-ethics-cobe.aspx">www.drreddys.com/investors/governance/code-of-business-conduct-and-ethics-cobe.aspx</a>	<a href="http://www.drreddys.com/media/123467/she_policy.pdf">www.drreddys.com/media/123467/she_policy.pdf</a>		<a href="http://www.drreddys.com/media/125014/csr-policy.html">www.drreddys.com/media/125014/csr-policy.html</a>	<a href="http://www.drreddys.com/media/123467/she_policy.pdf">www.drreddys.com/media/123467/she_policy.pdf</a>



TABLE 1 PRINCIPLE-WISE (AS PER NVGs) BR POLICY/POLICIES (REPLY IN Y/N)										
SL. NO.	PRINCIPLE-WISE (AS PER NVGs) BR POLICY/POLICIES (REPLY IN Y/N)	P1 ETHICS, TRANSPARENCY AND ACCOUNTABILITY	P2 PRODUCT LIFE CYCLE SUSTAINABILITY	P3 EMPLOYEE WELL-BEING	P4 STAKEHOLDER ENGAGEMENT	P5 HUMAN RIGHTS	P6 ENVIRONMENT	P7 POLICY ADVOCACY	P8 EQUITABLE DEVELOPMENT	P9 CUSTOMER VALUE
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Yes	Employees are required to sign an undertaking, at least annually, stating that they have read the Code of Business Ethics (COBE) and comply with the principles of the Code. New employees are required to sign a similar undertaking at the time of joining. Additionally, all our policies with respect to the nine principles are available on the Company website.	Yes, all policies have been communicated to stakeholders.	Employees are required to sign an undertaking, at least annually, stating that they have read the Code of Business Ethics (COBE) and comply with the principles of the Code. New employees are required to sign a similar undertaking at the time of joining. Additionally, all our policies with respect to the nine principles are available on the Company website.	Yes	Yes	Yes	Yes	Employees are required to sign an undertaking, at least annually, stating that they have read the Code of Business Ethics (COBE) and comply with the principles of the Code. New employees are required to sign a similar undertaking at the time of joining. Additionally, all our policies with respect to the nine principles are available on the Company website.
8	Does the Company have in-house structure to implement the policy/policies?	Yes	Yes	Yes, we have an intranet where all policies are published along with FAQs. Apart from that we have employee communications sent out on any changes in policies.	Yes	Yes	Yes	Yes	Yes	Yes
9	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Yes	We also have a dedicated Ombudsperson Procedure to address all concerns related to Company-level policies.	Policy grievances are handled by the respective business HR partners. We also have a common email ID, wherein employees can drop an email with their feedback.	We also have a dedicated Ombudsperson Procedure to address all concerns related to Company-level policies.	Yes	Yes	NA	NA	We also have a dedicated Ombudsperson Procedure to address all concerns related to Company-level policies.
10	Has the company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	Yes	We comply with the nine principles broadly through the following policies: Code of Business Conduct and Ethics (COBE), SHE policy and HR Policies, Quality policy, Purchase policy and HR policies. These policies are regularly reviewed by various internal and external agencies, including regulatory agencies. We also proactively follow public advocacy through various forums.	All policies are audited by the internal audit team. We also have external auditors who review HR policies/processes.	We comply with the nine principles broadly through the following policies: Code of Business Conduct and Ethics (COBE), SHE policy and HR policies. These policies are regularly reviewed by various internal and external agencies, including regulatory agencies. We also proactively follow public advocacy through various forums.	Yes	Yes	No	No	We comply with the nine principles broadly through the following policies: Code of Business Conduct and Ethics (COBE), SHE policy and Principles, Quality policy, Purchase policy and HR policies. These policies are regularly reviewed by various internal and external agencies, including regulatory agencies. We also proactively follow public advocacy through various forums.



### PRINCIPLE 1 ETHICS, TRANSPARENCY AND ACCOUNTABILITY

#### 1. Does the policy relating to ethics, bribery and corruption cover only the company? Yes/No. Does it extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?

Yes. The policy relating to ethics, bribery and corruption extends beyond our Company employees, both full-time and part-time, Directors and covers the subsidiaries and affiliates of the Group. While contracts with our suppliers, contractors and business partners include adherence to our principles concerning ethics, there is a separate code of conduct required to be adhered to by our suppliers and service providers.

#### 2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

The Company has a hotline for whistle-blowing and concern receiving. The concerns received are dealt with according to the Company's Ombudsperson process. We did not receive any significant external stakeholder complaints in the last financial year.

### PRINCIPLE 2 PRODUCTS LIFE CYCLE SUSTAINABILITY

#### 1. List up to 3 of your products or services whose design has incorporated social or

#### environmental concerns, risks and/or opportunities.

- i. Fexofenadine
- ii. Sumatriptan
- iii. Azacitidine

#### 2. For each such product, provide the following details in respect of resource use (energy, water, raw material, etc.) per unit of product (optional):

- i. Reduction during sourcing/ production/ distribution achieved since the previous year throughout the value chain.
- ii. Reduction during usage by consumers (energy, water) has been achieved since the previous year.

The specific features of the above mentioned products are detailed below:

#### 1. Fexofenadine

Fexofenadine HCl telescoped process with pure para-isomer helped to collapse multistep process into a smaller number of steps (in situ hydrolysis and reduction of keto) and unit operations.

- Yield improved from 15% to 47%
- E-Factor reduced from 286.6 to 76.96
- 5 stage process reduced to 3 stage
- Process lead time reduced from 30 to 18 days
- Solvent usage/kg of pharma reduced from 137 to 66 liters
- Reduction in manual operations from 223 to 156 with a further plan to bring it down to 107
- Ease of operation by doing filtration and drying through a single equipment
- Elimination of solvents such as MIBK and Pet Ether

#### 2. Sumatriptan

Usage of alternate reagent helped us to eliminate PPE preparation and to collapse multistep process into a smaller number of steps (in situ coupling, indole formation and reductive amination).

- Yield improved from 11.4% to 28.3%
- E-Factor reduced from 548.4 to 197.24

60%

Procurement from domestic producers.

- 5 stage process reduced to 3 stage
- Solvent usage/kg of pharma reduced from 271.99 to 145.55 kgs
- Water usage/kg of pharma reduced from 231.06 to 47 kg
- Solid waste/kg of pharma reduced from 45.33 to 4.59 kg
- PPE stage eliminated
- Usage of chloroform is eliminated

**3. Azacitidine**

Process optimization has resulted in the following:

- AZT-2 yield improved from 29.8% to 41.9%
- AZT-3 yield improved from 47.3% to 60%
- Solvent reduction from 382.20 to 236.55 kg
- Water reduction from 87.15 to 48.95 kg
- Solid reduction from 31.72 to 17.88 kg

**3. Does the company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words.**

Yes, Dr. Reddy's has well defined and documented 'Supplier Code of Conduct' addressing all sustainable sourcing elements like Ethics, Labor & Human Rights, Wages & Benefits, Health & Safety, Environment, Management System including Bribery and Corruption.

Dedicated resources are involved in capacity building and sharing best practices among all strategic business partners (Total no's: 450). Alternate vendors are being developed where single vendors

are considered critical for business continuity.

FTO BU has taken an ambitious target of reducing air shipments to 40% as against 60% in FY2020 and achieved 51.7% in FY2020 as against a target of 40% in this reporting period.

**4. Has the company taken any steps to procure goods and services from local and small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?**

Yes, Dr. Reddy's has procedures in place to procure goods and services from local and small producers.

Presently, 60% of Dr. Reddy's procurements are from domestic producers and 40% from international producers.

Dedicated resources are assigned the job of improving capacity and

capabilities of local producers. The following are some of the initiatives:

- Sharing good practices via audits and workshops
- Mandatory supplier trainings for new vendors
- Relooked into packaging design to reduce Carbon Footprint
- Inculcating culture of resource conservations among local and small producers with respect to improved solvent recovery efficiencies and eliminating usage of hazardous solvents like methylene di chloride

**5. Does the company have a mechanism to recycle products and wastes? If yes, what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.**

Yes, we do have a mechanism to recycle products and waste.





**CTO BU: Reuse/Recycling of Waste**

In CTO BU 24,587 T of hazardous waste is generated in this reporting period. Out of the total hazardous waste generated, 30.6% of the waste is organic in nature and 96.3% of the organic waste generated is used as auxiliary fuel in cement industries eliminating offsite incineration.

During this reporting period, 7,950 MT of pure salts and caustic lye was segregated from process from CTO 5 and CTO 6 and upcycled into potassium based micro nutrients, which are being used for horticulture crops like palm oil and sugar cane.

Efforts are on at other locations to segregate and upcycle pure salts from process.

During this reporting period, sludge dewatering facility (Paddle Drier) is commissioned at CTO 2 to further reduce the moisture content of ETP sludge to <5% from 70-75% in FY2015.

**FTO BU: Reuse/Recycling of Waste**

During this reporting period, FTO BU generated 1,560 T of hazardous waste. Due to commissioning of sludge dewatering facility, moisture content of the disposable sludge reduced by 20-30% resulting in less waste disposal to TSDF.

Due to regulatory reasons from service provider (Geocycle), FTO BU could not dispose of market-returned goods for upcycling. This year they have taken an ambitious target of diverting 400 MT of market- returned goods to cement industries for co-processing, thereby increasing recycling rate from 11% to 35% in FY2017.

**PRINCIPLE 3  
EMPLOYEE WELL-BEING**

- 1. Please indicate the total number of employees.**  
We have 21,669 employees as on 31 March 2016.
- 2. Please indicate the total number of employees hired on temporary/contractual/casual basis.**  
We have 1,341 employees on contract as on 31 March 2016.

- 3. Please indicate the number of permanent women employees.**  
We have 3,375 women employees as on 31 March 2016.
- 4. Please indicate the number of permanent employees with disabilities.**  
28
- 5. Do you have an employee association that is recognized by management?**  
Yes, we have an employee association.
- 6. What percentage of your permanent employees are members of this recognized employee association?**  
4.3%
- 7. Please indicate the number of complaints relating to child labor, forced labor, involuntary labor, sexual harassment in the last financial year and pending, as on the end of the financial year.**  
Table 2 provides the details.

**PRINCIPLE 4  
STAKEHOLDER ENGAGEMENT**

- 1. Has the company mapped its internal and external stakeholders? Yes/No.**  
Yes, we have mapped our internal and external stakeholders.
- 2. Out of the above, has the company identified the disadvantaged, vulnerable and marginalized stakeholders?**  
Yes, we have identified disadvantaged, vulnerable and marginalized stakeholders.
- 3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.**  
We believe businesses must strengthen capabilities to fulfill stakeholder aspirations through greater engagement. At Dr. Reddy's, we build lasting bonds with all our stakeholders, internal and external, through meaningful deliberations. This process helps us review our actions, rethink our

roadmap, redress grievances and recognize new avenues of growth.

We have identified clusters of stakeholders who are directly and indirectly affected by our operations, and have developed targeted engagement mechanisms for each cluster. **Table 3** details our engagement platforms for each stakeholder group.

**PRINCIPLE 5  
HUMAN RIGHTS**

- 1. Does the policy of the company on human rights cover only the company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?**  
At present, our policy is extended to the group, our suppliers, contractors and NGOs.
- 2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?**  
We did not receive any complaints in the last financial year.

**PRINCIPLE 6  
ENVIRONMENT**

- 1. Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures/Suppliers/Contractor/NGOs/others.**  
Dr. Reddy's has well defined Safety, Health & Environmental Policy and Principles in place to motivate our employees to minimize our environmental impacts. The policy and principles are also communicated to all our stakeholders and ensure that they are in compliance to policy.

At present policies related to Principle 6 covers only the Company's Indian operations.

**3,375**

Women employees as on 31 March 2016.

Dr. Reddy's has well defined Safety, Health & Environmental Policy and Principles in place to motivate employees to minimize our environmental impacts.

**2. Does the company have strategies/initiatives to address global environmental issues such as climate change, global warming, etc? Y/N If yes, please give hyperlink for web page etc.**

Dr. Reddy's is a responsible corporate committed towards managing climate change both within and beyond our sphere of influence.

Yes, the Company has internal commitments to address climate change and global warming.

Through CDP (Carbon Disclosure Project), Dr. Reddy's is publicly disclosing its Carbon Footprint to all stakeholders at regular intervals. In CDP 2015, Dr. Reddy's is the only corporate in Pharma sector to have scored 97 points in Carbon Disclosure Leadership Index.

The CDP 2015 Report can be accessed at: [www.cdp.net/CDPResults/CDP-India-climate-change-report-2015.pdf](http://www.cdp.net/CDPResults/CDP-India-climate-change-report-2015.pdf)

In this reporting period, solar power utilization is 39.0 million units and is 4.9% of the total power consumed, thereby reducing carbon footprint by 38,611 MT of CO2e in this reporting period.

**3. Does the company identify and assess potential environmental risks? Y/N**

Yes, Dr. Reddy's as a corporate, identifies and assesses potential environmental risks and mitigates them to eliminate environmental risks through Enterprise Risk Management (ERM) initiative.

The environmental risks identified are reviewed by the Risk Management Committee at the Board level on a quarterly basis.

**4. Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. If yes, whether any environment compliance report is filed?**

Yes, 'Biomass based steam production' project at Pydhibhimavaram SEZ unit is registered with UNFCCC under CDM.

The project consists of installation of a 10 TPH Multi fuel fired boiler that operates at 10.5 g/cm<sup>2</sup>. This project plans to use the following biomass as the fuel source for the boiler:

Primary Fuel: Biomass Briquettes; Calorific Value - 3700 to 4100 kcal/kg

Secondary Fuel: Fuel 1: Rice Husk; Calorific Value: 3200 kcal/kg  
 Fuel 2: Indian Coal; Calorific Value: 3500 to 4300 kcal/kg  
 Fuel 3: Palm Kernel Shells; Calorific Value: 4200 kcal/kg

The project activity generates 166.5 TJ of energy per year. Since this energy is based on the fuel type renewable biomass, the project thereby contributes to emissions reductions of 14,324 tonnes of CO2e to the atmosphere.

Validation of the same is completed by TUV Nord in 2013.

Availability of biomass was an issue and this CDM project could not progress further during this reporting period.

**5. Has the company undertaken any other initiatives on clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page.**

Yes, Dr. Reddy's as responsible corporate in the year 2015-16, implemented 31 energy conservation projects across various business units and accrued savings of ₹ 63.54 millions.

Solar energy consumption for the year 2015-16 is around 39.0 million kwh i.e. solar energy usage across Dr. Reddy's is 4.9%, thereby reducing carbon footprint by 38,611 MT of CO2e in this reporting period.

**6. Are the emissions/waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?**

Yes, air emissions and waste generated by Dr. Reddy's are within the permissible limits prescribed by environmental regulators.

In this reporting period, all the boiler stacks of API manufacturing facilities were provided with online stack emission monitoring systems and all the units were provided with continuous ambient air quality monitoring systems were also directly hooked to regulators website.

**7. Number of show cause/legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of financial year.**

Couple of notices were received from TSPCB with respect to provision of piezo well in CTO 4. To resolve this issue, Dr. Reddy's engaged NGRI (National Geographical Research Institute) to study the feasibility of the piezo well. This was complied with on 25 May 2016.

**PRINCIPLE 7  
POLICY ADVOCACY**

**1. Is your company a member of any trade and chamber or association? If yes, name only those major ones that your business deals with.**

Our Chairman, Mr. K Satish Reddy, is the President of the Indian Pharmaceutical Alliance (IPA).

We are members of some of the leading industry bodies and

TABLE 2			
SL. NO	CATEGORY	NO. OF COMPLAINTS FILED DURING THE FINANCIAL YEAR	NO. OF COMPLAINTS PENDING AS ON END OF THE FINANCIAL YEAR
1.	Child labor/forced labor/involuntary labor	0	0
2.	Sexual harassment	11	0
3.	Discriminatory employment	0	0

**Dr. Reddy's as a corporate identify and assess potential environmental risks and mitigate them to eliminate environmental risks through Enterprise Risk Management (ERM) initiative.**

chamber associations in India, including:

- National Safety Council
- Life Sciences Sector Skill Development Council (LSSSDC) of India
- National Council of the Confederation of Indian Industry (CII) since 2004-05
- Indian Pharmaceutical Alliance
- Board of Trade, Ministry of Commerce, Government of India
- Indo-Dutch Joint Working Group (JWG) on Corporate Governance and Corporate Social Responsibility, Ministry of Corporate Affairs, Government of India
- India-Russia CEO Council of CII
- India-South Africa CEO Council of CII
- India-Canada CEO Council of CII
- India-Spain CEO's Forum for Economic Co-operation

**2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify**

**the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others).**

We have advocated for Economic Reforms through the associations.

**PRINCIPLE 8  
EQUITABLE DEVELOPMENT**

**1 Does the company have specified programs/initiatives/projects in Pursuit of the policy related to Principle 8? If yes details thereof.**

We are focusing on specific CSR initiatives that support social development. The implementation of these programs is carried out through various partner organisations. We work primarily in the areas of education, livelihood and health. The key programs are described below:

**Education**

Our education initiatives focus on enhancing the quality of education.

- Pudami neighborhood schools and English primaries aim to make available quality English medium education to children from underprivileged sections. 24 Pudami schools are educating over 9,668 students. Kallam Anji Reddy Vidyalyaya (KARV), a model Pudami school caters to 2,020 students.

- Kallam Anji Reddy Vocational Junior College (KAR-VJR) trains tenth class pass-out students in two-year vocational courses. Every year it trains nearly 457 students.
- School Improvement Program (SIP) in government schools focuses on 25,250 students in 59 schools across six districts of Andhra Pradesh and Telangana. Through SIP we provide remedial learning, computers skill, spoken English, basic amenities, safe water and sanitation. SIP also provides scholarships for meritorious students to pursue higher education.
- Science education through mobile science van that reaches out to various schools and communities has been initiated in partnership with Agastya International Foundation.
- Supporting quality education in government and low income schools through Teach for India fellowship program. We supported 70 fellows in 27 schools reaching out to 2,519 students.

**Livelihood**

Our livelihood programs, implemented through Dr. Reddy's Foundation, focus on making the Indian youth employable and enhance their earning potential.

- LABS: Livelihood Advancement Business School (LABS) program

**TABLE 3**

KEY STAKEHOLDERS	ENGAGEMENT PLATFORMS
<b>EMPLOYEES</b> The driving forces of the organisation, our employees deserve a safe, inclusive and empowering workplace with freedom to act, innovate and grow not just as professionals, but also as individuals.	Organisation Health Index   In-house Publications   Intranet   Internal Networking Platform   CEO, COO communication   360 degree feedback   Celebrations   Training Programs   Health Page
<b>INVESTORS &amp; SHAREHOLDERS</b> Our investors and shareholders put trust and financial capital in the organisation and expect a steady return on their investment.	Analyst Meets   Quarterly Results   Annual Report   Sustainability Report   Earning Calls   Email Communication   Official news releases and presentations
<b>SOCIETY</b> Communities across the world, especially the economically weaker sections of society, whose lives are impacted by our social contributions. Healthcare professionals who rely on today's products and tomorrow's innovations.	Through partners like Dr. Reddy's Foundation, CSIM, NICE Foundation and local NGO partners and Employee Volunteering Program <b>Dr. Reddy's Foundation for Health Education (DRFHE)</b> Inner Circle - Relationship building programs   Abhilasha - Nursing Efficiency program   Sarathi - Doctor's Assistant Program   Sanjeevani - Pharmacists program   Sutradhar - Ward boys program   Akriti - Orthopedicians' program
<b>CUSTOMERS &amp; PARTNERS</b> Insurers, vendors, suppliers, distributors, government, regulators and business partners who support various aspects of our operations.	<b>Customers:</b> Customer satisfaction survey, regular business meetings <b>Business Partners - Vendors:</b> Vendor meets, strategic business partner training and development



4,544

Trained young people through supported centres.

Science education through mobile science van that reaches out to various schools and community has been initiated in partnership with Agastya International Foundation.



is developed for youth between 18 and 30 years, who have limited opportunities and inadequate skill sets. LABS equips them with job specific skills, soft skills, basic English, computer skill and placement linkages. In FY2016, we trained 4,544 young people through our supported centres.

- LABS-PwD: LABS-People with Disabilities (PwD) program is a placement-linked program for differently-abled youth, between 18 and 30 years. In FY2016, we trained 640 differently-abled youth through our supported centers.

**Rural Livelihood Program**

- LABS-F program assists farmers on technology and methodology in farming. This program helps them enhance their income by increasing productivity. In FY2016, we supported 18,000 farmers through this program.
- Skilling Rural Youth (SRY) is a 10 day capacity building program. It primarily focuses on soft skills and linking rural youth with local wage employment opportunities. In FY2016, 869 youth were supported through this program.

**Developing change makers**

We trained 41 budding social change agents and NGO staff on entrepreneurial and leadership skills through Centre for Social Initiatives and Management (CSIM) - Hyderabad. Besides 20 social agents were trained through Acumen. These efforts resulted in social delivery projects relevant to community needs.

**Health Initiatives**

Our health initiatives include:

- The Community Health Intervention Program (CHIP) covers 145 villages of Srikakulam, Nalgonda and Vizianagaram districts. This five-year project was started in partnership with the NICE Foundation to bring better healthcare facilities to villages. In FY2016, we reached out to a population of 2.14 lacs.
- 15 RO water plants benefiting 70,000 families were established.
- 12 free psychiatric camps are conducted through Roshni Counselling Centre. The patients are provided free psychiatric consultation, free medicines and counselling.

**2. Are the programs/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organisation?**

We engage with the community through our partners like Dr. Reddy's Foundation (DRF), Naandi Foundation, NICE Foundation and other similar organisations.

**3. Have you done any impact assessment of your initiative?**

We review our internal assessment systems and projects from time to time. Each project has specific deliverables against which it is measured.

**4. What is your company's direct contribution to community development projects - Amount in ₹ and the details of the projects undertaken?**

We contributed ₹ 412 million for community development. For details of the projects undertaken, refer the projects listed in the CSR Report.

**5. Have you taken steps to ensure that this community development initiative is successfully adopted**

**by the community? Please explain in 50 words, or so.**

Our community development initiatives are designed towards sustainability. For education programs, we encourage the participation of parents in the School Management Committee (SMC) through a small contribution to instill ownership. Similarly, young people participating in the vocational skills enhancing programs pay a small percentage of the course fees. Besides we also involve gram panchayat or local government in the project development discussions.

**PRINCIPLE 9  
CUSTOMER VALUE**

**1. What percentage of customer complaints/consumer cases are pending as on the end of financial year.**

9% of total domestic/national customer complaints<sup>1</sup> are pending, as on the end of the financial year.

**2. Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/NA/Remarks (additional information).**

For different markets and products, we display product information as described below:

- For North America Generics (NAG), Oral Solid Division and Europe Generics (EUG), we provide no additional information other than what is mandatory. There are few exceptions, like Zoledronic injection for the EU market is provided with an arrow mark to peel.
- For NAG injectable, we provide no additional information other than what is mandatory. Some special cases like, Sumatriptan injection has an auto injector QR code and promotional information (separate component) is provided in Zoledronic Acid - Canada.
- For the domestic market, we sometimes provide additional information in labeling. We provide tag lines, such as 'Tough on Pain' on our Nise® gel packs in addition to pictorials.



- For all EM markets, we give only label claim, and in few cases warning, as per market requirement.

**3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behavior during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.**

A stockist based out of Gujarat has filed proceedings against the Chemists and Druggists Association of Baroda, its office bearers and seventeen manufacturing companies along with their C&F agents, including Dr. Reddy's before the Competition Commission of India, alleging contravention of Sections 3 & 4 of the Competition Act, 2002. The Commission has directed the Director General to investigate and submit a report

on the role of Chemists and Druggists Association of Baroda and its office bearers. In pursuance to such investigation, a notice was issued to the Company to furnish certain information which was complied with. Other than the above mentioned issue, there are no other cases filed by any stakeholder against the Company.

**4. Did your company carry out any consumer survey/consumer satisfaction trends?**

Our primary research team regularly conducts consumer surveys in all therapy areas. One such example is the survey carried out with Hepatitis C patients to understand their unmet needs with sensitivity. It helped us design services for patients to aid them with our therapy. We have carried out more such surveys for products like Venusia®, Razo™ and in the space of nephrology. Such surveys helped us get useful feedback on our products.

<sup>1</sup> The number of complaints are from India.



# Management Discussion and Analysis



Dr. Reddy's Laboratories Limited ('the Company' or 'Dr. Reddy's') is an integrated global pharmaceutical company committed to accelerate access to affordable and innovative medicines because Good Health Can't Wait.



(1) FY2016 represents fiscal year 2015-16, from 1 April 2015 to 31 March 2016, and analogously for FY2015 and previously such labeled years. (2) Unless otherwise stated, financial data given in this Management Discussion and Analysis is based on the Company's consolidated IFRS statements.



To be able to do this we are perpetually working towards fulfilling our five promises:

1. Bring expensive medicines within reach.
2. Address unmet patient needs.
3. Help patients manage diseases better.
4. Enable and help our partners ensure that medicines are available where needed.
5. Work with partners to help them succeed.

Our three key core business segments:

- Global Generics (GG) includes branded and unbranded prescription and Over-The-Counter (OTC) drug products business and also includes the operations of our Biologics business.
- Pharmaceutical Services and Active Ingredients (PSAI) consists of Active Pharmaceutical Ingredients (API) and Custom Pharmaceutical Services (CPS) businesses.
- Proprietary Products (PP) comprises of our Differentiated Formulations business and our New Chemical Entities (NCEs) business in the therapeutic areas of dermatology and neurology.

Dr. Reddy's has a strong presence in highly regulated and developed markets such as the United States of America, the United Kingdom and Germany. We also have a significant pharmaceuticals business in India, Russia, and certain key emerging economies.

There were three main reasons for the Company's subdued financial performance in FY2016.

The first has to do with the U.S. Food and Drug Administration's (USFDA's) inspections. Between November 2014 and March 2015, USFDA inspected three of Dr. Reddy's plants (two API sites at Srikakulam and Miryalguda and one Onco formulations site at Duvvada, Visakhapatnam). In November 2015, the USFDA issued a warning letter to which the Company responded within 15 days with a comprehensive plan of corrective and remedial actions. Subsequent work on these three facilities has resulted in delayed launches of key products, such as Esomeprazole and Capecitabine, as well as certain APIs which, in turn, significantly lowered incremental revenues; and the additional costs of

## CONSOLIDATED FINANCIAL PERFORMANCE FOR FY2016

### CONSOLIDATED REVENUES

₹ 154.7 bn

(US\$ 2.3 bn)

### GROSS PROFIT MARGIN

2016 2015  
**59.6% vs 57.6%**

### EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION (EBITDA)\*

₹ 36.3 bn

23.4% of revenues (US\$ 547 mn)

### PROFIT BEFORE TAX (PBT)

₹ 27.1 bn

17.5% of revenues (US\$ 410 mn)

### PROFITS AFTER TAX (PAT)

₹ 20.0 bn

12.9% of revenues (US\$ 302 mn)

All US dollar amounts based on the convenience translation rate of US\$ 1 = ₹ 66.25

\* Adjusted EBITDA at ₹ 41.2 bn (26.7% of revenues) adjusted for the impact of devaluation and translation, on certain monetary assets and liabilities of our Venezuela subsidiary.

₹ 128.1 bn

Revenues from GG for FY2016

↑ 7% Y-O-Y

conducting the necessary remedial work reduced profits.

The second reason has to do with Russia. In last year's *Management Discussion and Analysis*, we stated that revenues from Russia and other CIS markets had declined by 11% primarily due to economic problems in the country and the sharp devaluation of the rouble. Matters have worsened with the price of Brent crude falling to an average of US\$ 47 per barrel for FY2016, the lowest in the last 12 years. As indicated in **Chart A**, the rouble-US dollar exchange rate has depreciated further. This resulted in a further decline of 29% in the Company's revenues from Russia to ₹ 10.6 billion in FY2016.

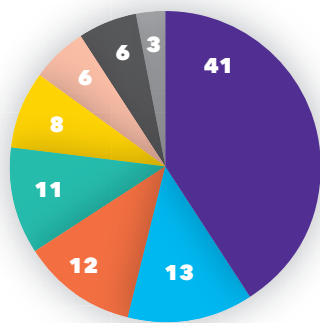
The third is due to the situation in Venezuela. Dr. Reddy's has enjoyed a sound business in providing affordable medicine to the people of Venezuela. However, the continuing economic crisis in the country has resulted in the government imposing severe constraints on foreign exchange outflows. Consequently, like many others that were doing business in that country, we did not receive any approvals from the Venezuelan government to repatriate any amount beyond US\$ 4 million in the course of FY2016. Given this situation, the Company decided that, as a matter of abundant precaution, it was more appropriate to use the DICOM rate (at VEF 272.5 = US\$ 1) than the official 'preferential' rate of VEF 10 = US\$ 1 for translating the monetary assets and liabilities of its Venezuelan subsidiary as on 31 March 2016. The resultant impact of this write-down together with the official devaluation (6.3 to 10) for FY2016 was

₹ 5.09 billion. It needs to be emphasized that Dr. Reddy's will continue to actively engage with the Venezuelan government to provide medicine for the country, subject to regular repatriation of funds.

**A SNAPSHOT OF PERFORMANCE GLOBAL GENERICS (GG)**

- **Revenues from GG for FY2016 grew by 7% to ₹ 128.1 billion**, driven primarily by North America, India and Europe.
- **Revenues from North America was ₹ 75.4 billion recording a year-on-year growth of 19%**, mainly due to the sustained performance of the Company's injectable franchise and market share gains in key molecules.
  - 14 new generics were filed in the USA during FY2016, of which 13 were Abbreviated New Drug Applications (ANDAs) and 1 was a New Drug Application (NDA). Cumulatively, 82 generic filings are pending for approval with the USFDA, of which 79 are ANDAs and 3 are NDAs. Of the 79 ANDAs, 52 are Para IV filings, and we believe that 18 of these have 'First-to-File' status.
- **Revenues from Emerging Markets declined by 25% to ₹ 23.6 billion** mainly due to the depreciation of the Russian rouble, the Ukrainian hryvnia and the decision to calibrate sales in Venezuela.
  - Revenues from Russia were ₹ 10.6 billion, representing a year-on-year decline of 29% due to the country's economic slowdown and the falling rouble. In constant currency terms, revenues grew by 1%.

**CHART B: MEDICINE SPEND IN 2020 (COUNTRYWISE)**



- US
- EU
- REST OF THE WORLD
- CHINA
- OTHER PHARMERGING
- JAPAN
- BRAZIL/RUSSIA/INDIA
- OTHER MAJOR DEVELOPED COUNTRIES

**CHART A: RUB/US\$**



- Revenues from other CIS countries and Romania grew by 1% to ₹ 3.5 billion.
- Revenues from the Rest of the World (RoW) territories fell by 28% and stood at ₹ 9.4 billion, mainly due to the calibrated sales in Venezuela.
- Revenues from India grew by 19% to ₹ 21.3 billion.** This business saw continued momentum of the Company's mega-brands. The portfolio of pharmaceutical products acquired from UCB has been integrated with those of Dr. Reddy's and the performance of the acquired business is in line with expectations.
- Revenues from Europe grew by 19% to ₹ 7.7 billion,** mainly on account of Aripiprazole and Pregabalin.

**PHARMACEUTICAL SERVICES AND ACTIVE INGREDIENTS (PSAI)**

- Revenues from PSAI were at ₹ 22.4 billion, experiencing a year-on-year decline of 12%.**
- 50 Drug Master Files (DMFs) were filed globally, of which 8 were in the USA.** The cumulative number of DMF filings as on 31 March 2016 was 768.

**OUTLOOK FOR THE GLOBAL PHARMACEUTICAL INDUSTRY**

An IMS Health publication, titled 'Global Medicines Use in 2020: Market Prognosis' (September 2015) sets out expected trends for the next four to five years. Below is a synopsis:

- The volume of medicines used globally is expected to reach 4.5 trillion doses by 2020. Consequently, the value of the overall pharmaceutical market will cross \$ 1.4 trillion. This represents a growth of 29% - 32% over 2015.
- In absolute terms, developed markets will continue to lead in medicine spending, and use more original branded products and specialty medicines per capita.

- The largest growth however, will come from the Pharmerging markets, supported by a sharp increase in broad-based health system expenditures. These markets will use more branded generics and OTC medicines.

Please refer **Table 1** for the Estimates of Global Pharmaceutical Spends for 2020.

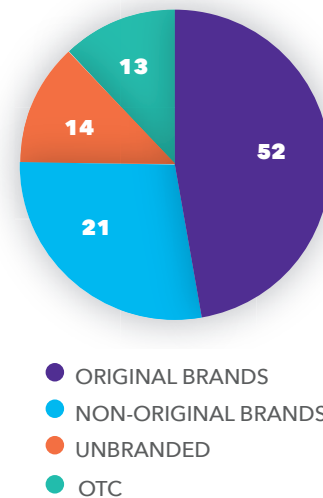
Other forecasts for this five-year-period are as follows:

- Use of medicines in 2020 will include more than 900 new active substances that have been introduced in the past 20-25 years.
- New medicines will be weighted more in favour of specialty and biologics.
- By 2020, patients will have greater access to breakthrough therapies and clusters of innovation around diabetes, hepatitis C, heart, auto-immune and orphan diseases.
- Cancer treatments will constitute the largest category of the 225 new medicines expected to be introduced within the next five years.
- While global medicine spending on orphan drugs is expected to be 1-2%, it will be as much as 10% in developed markets such as the USA.

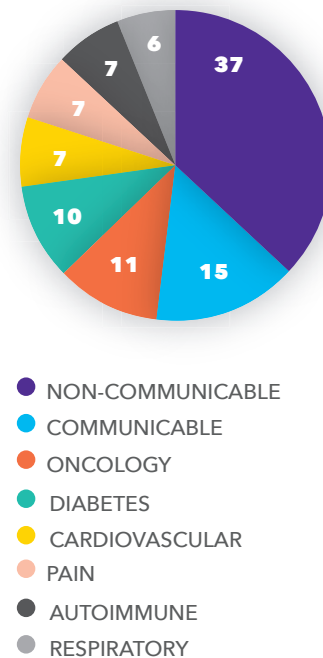
**MEDICAL OUTLOOK IN THE USA POSITIVE TRENDS FOR INDIAN PHARMACEUTICAL MAJORS**

- Higher US spends on pharmaceutical products:** US spends on medicines will range from US\$ 560 billion to US\$ 590 billion in 2020, representing a 34% increase in spending over 2015. Growth will be driven by innovation, invoice price increases (offset by off-invoice discounts and rebates) and the impact of loss of exclusivity. For majority of the large Indian generics pharmaceutical companies, anywhere between 40% to 60% of their revenues are generated from the USA. The opportunity landscape in the country can be split into three parts -

**CHART C: MEDICINE SPEND IN 2020 (PRODUCTWISE)**



**CHART D: MEDICINE SPEND IN 2020 (DISEASE AREA)**



Source: IMS Health, Market Prognosis, September 2015

Note: Share of 2020 Spending in US\$ with forecast exchange rates applied

TABLE 1	ESTIMATES OF GLOBAL PHARMACEUTICAL SPENDS FOR 2020 (US\$ BILLIONS)			
	2015	2010-2015 CAGR	2020	2016-2020 CAGR
Global	1,068.8	6.2%	1,400-1,430	4%-7%
Developed markets	684.3	4.8%	870-900	3%-6%
Pharmerging markets	249.2	11.9%	345-375	7%-10%
Rest of the World (RoW)	135.2	5.2%	150-180	1%-4%

Source: IMS Health, Market Prognosis, September 2015





# US\$ 92 bn

Branded drugs expected to go off-patent over the next five years.

With the increase in product complexity, R&D spend per molecule and the time required to establish bio-equivalence have both risen.

Major Indian pharmaceutical companies have increased R&D spend over the past five years, in absolute as well as percentage of sales terms.

On the positive side, companies have starting getting faster responses from the USFDA, and there seems to have been a drop in the number of pending ANDAs.

- a) Brands going off-patent: Over the next five years, branded drugs worth US\$ 92 billion in sales are expected to go off-patent. Generally, drugs nearing patent expiry witness relatively high price increases – now at approximately 9% per annum over the past five years. Such increases should help global generics manufacturers in two ways -
  - It will increase the size of the opportunity landscape. The patent cliff (from 2015 to 2020) has significantly more value compared to five years earlier.
  - Pharmacy benefit managers tend to exclude higher price brands in favour of generics. This trend is accelerating and has a positive rub-on effect for the generics pharmaceutical industry.
- b) Attractive complex generics products with limited markets and very low competition whose patents had expired earlier: These constitute appealing, 'below the radar' opportunities with a well chosen portfolio, provide sustainable revenues streams.
- c) Under-penetrated alternate dosage forms, such as injectables at 18% of prescription generics (Gx) penetration, inhalants at 23% and transdermal patches at 37%: The large Indian generics companies operating in the USA have started diversifying into these alternate forms.

2. **Medical devices providing auxiliary support to prescriptions:** With a rapid increase in the incidence of critical diseases such as cancer, a corresponding advancement in medical science is the use of certain pre-tests. These tests primarily help to assess possible reactions to new medications and help to tailor a treatment regimen for the patients. The commercial success of drugs such as Herceptin® (trastuzumab) and Gleevec® (imatinib), both of which require testing with companion diagnostics before they can be prescribed, has been a pivotal mover in this field. This space is becoming increasingly attractive and, based on drugs that

are in clinical trials, rapid growth is expected in the foreseeable future.

3. **GDUFA:** The Generics Drugs User Fee Act (GDUFA), 2012, is designed to speed up access to affordable generics medicines to the public and reduce the cost to the industry. The law requires the industry to pay user fees to the USFDA to supplement the costs of reviewing generics drug applications and of inspecting facilities. On the positive side, companies have starting getting faster responses from the USFDA, and there seems to have been a drop in the number of pending ANDAs. Thus, larger Indian companies that have a strong US pipeline should benefit as approvals accelerate.
4. **Higher R&D spends:** With the increase in product complexity, R&D spend per molecule and the time required to establish bio-equivalence have both risen. To give an example, the product development cost for a complex generic is around US\$ 5 million, versus US\$ 1 million to US\$ 2 million for a simpler final dosage form. Developmental spends on an inhalation, complex injectable or a biosimilar product is much higher. Major Indian pharmaceutical companies have increased R&D spend over the past five years, in absolute as well as percentage of sales terms. While absolute spend is lower than international generics majors like Actavis, Mylan and Teva, a number of Indian pharmaceutical companies, including Dr. Reddy's, spend higher in terms of percentage of sales. Such higher R&D efforts bode well for further introduction of higher value complex generics, proprietary products and biosimilars from India to the global markets.
5. **Mergers and Acquisitions (M&A):** M&A continues to be one of the principal growth strategies for the pharmaceutical industry. Most transactions focus on one or more of the following factors: consolidating in the face of pricing pressures; strengthening existing product portfolios; replenishing pipelines depleted by patent expiry; deepening capabilities in priority areas; entering new and/or emerging markets; and acquiring innovative technologies to leverage current

assets or generate cost-saving synergies. Until a decade ago, M&A was much more prevalent abroad compared to Indian pharmaceutical companies. More recently, with rising scale and profitability, Indian companies are generating strong free cash flows which are increasingly being leveraged to acquire competitive assets abroad. We believe that the trend will accelerate in the future, though at valuations which may be higher than before. However, there is also a negative effect of Mergers & Acquisitions, which is discussed below under Negative Trends.

### NEGATIVE TRENDS FOR INDIAN PHARMACEUTICAL MAJORS

#### 1. Generics pricing pressure has begun and is likely to persist:

Channel consolidation and faster ANDA approvals in the USA have begun to exert pricing pressure on generic drugs. Unlike in the past two to three years, where the annual generic drug price inflation was between 2% to 7.5%, generic drug prices were down by nearly 2% in Q1 CY2016. In the future, except for complex generics with relatively little competition, the likely scenario in the USA will be low generics price rises and a lot more of average annual price declines.

The top five pharmaceutical distributors in the USA now account for 84% of the market. These include CVS/Caremark/Cardinal (23%), Econdisc (22%), Mckesson (22%), the Walmart Group (10%) and Rite Aid (7%). Having consolidated, these players now exert very strong pricing power on generic drug manufacturers.

#### 2. Increased USFDA inspections:

Over the last four years, there has been a significant increase in USFDA inspections of manufacturing facilities outside the USA. Given the relatively large number of manufacturing plants in India supplying generics to the USA, the USFDA has opened an office in India to increase the frequency of inspections and speed up compliance. This has resulted in a noticeably higher frequency of inspections, including those of the Company's facilities. We at

Dr. Reddy's appreciate this increased oversight and are committed to doing all that is necessary to have the very best in Good Manufacturing Practices (GMP) norms and operating standards. While such inspections – especially the 483 observations and warning letters that sometimes follow – often impose high stoppage and remedial costs on companies being inspected, these eventually help in putting in place and sustaining standards that will hold them in good stead for the future. Having said so, it needs to be understood that the risks of USFDA inspections, adverse reports with 483 observations, warning letters and import alerts have increased substantially for pharmaceutical majors in the emerging markets.

#### 3. Mergers and Acquisitions (M&A):

The negative side of M&A are the large deals between international pharmaceutical majors – be these in manufacturing or in the sales channels – that create stronger players in field, who can exercise disproportionate marketing or pricing power on competitors.

### GENERAL TRENDS ACROSS MARKETS

**1. Ageing populations:** This continues to be a critical positive factor for the global pharmaceutical industry. Ageing population, rapid growth of chronic diseases and rising consumer wealth will continue to significantly boost healthcare spending in the foreseeable future. Consider the following demographic data. Between 2015 and 2030, the number of people in the world aged 60 years or over will grow by 56%, from 901 million to 1.4 billion. Over the next 15 years, the number of older persons (aged 60 or more) is expected to grow fastest in Latin America and the Caribbean (with a projected 71% increase), followed by Asia (66%), Africa (64%), Oceania (47%), North America (41%) and Europe (23%). Lower growth in North America and Europe is because the populations there already have a sizeable number of those aged 60 or above. Such people will need greater and more frequent medical interventions than before. Those pharmaceutical majors which have the ability to provide effective medicines at affordable prices will gain from this rapid graying of the world.

# 56%

growth in number of people in the world aged 60 years or over between 2015 and 2030.

Ageing populations, rapid growth of chronic diseases and rising consumer wealth will continue to significantly boost healthcare spending in the foreseeable future.

With rising scale and profitability, Indian companies are generating strong free cash flows which are increasingly being leveraged to acquire competitive assets abroad.



US\$ 154 bn

Cancer sales by 2020



700

Biosimilars approved or in the pipeline globally.

More efficacious anti-cancer drugs will play an increasing role in the portfolio of all pharmaceutical majors, whether in developed or Pharmerging markets.

**2. Oncology and biologics:** According to IMS Health, by 2020 cancer will account for 11% of patients' spend on global pharmaceutical products, or over US\$ 154 billion of sales. More efficacious anti-cancer drugs will play an increasing role in the portfolio of all pharmaceutical majors, whether in developed or Pharmerging markets. This will not only necessitate a larger number of new filings across various geographies for both complex generics and biologics, especially biosimilars, but also faster regulatory decisions on such applications. Already, the development and sales of biosimilars have begun to accelerate, and analysts expect the worldwide biosimilars market to reach anywhere between US\$ 25 billion and US\$ 35 billion by 2020. The European Union first approved a biologic in 2006; now there are more than 700 biosimilars approved or in the pipeline globally. The USA has been slower in approving biosimilars. Although the Biologics Price Competition and Innovation Act, passed in 2010 as part of the Affordable Care Act, created an abbreviated licensing pathway for biosimilars, it was only in March 2015 that the USFDA approved the first biosimilar product for the US - Zarxio (filgrastim-Sandoz), a biosimilar alternative to Amgen's anti-infection drug neupogen. Thus, in September 2015, the manufacturer, Sandoz, began its US market launch for Zarxio, a product that has been sold in Europe since 2006. However, it is expected that the USFDA will increase its speed of biosimilar approvals. In any event, given the upsurge in oncological care throughout the world, there ought to be many more approvals in Europe as well as in the Pharmerging markets.

**3. Economic stress in major emerging markets:** Currently, three Pharmerging markets are going through extremely difficult economic conditions. The first is Venezuela, a relatively large market for pharmaceutical products. The economy is in deep trouble. The GDP for Q4 FY2015 declined by ~9%. For 2016, GDP is estimated to shrink further by another 7%. Consumer price inflation is raging at over 180%. The country's fiscal deficit is in excess of 14% of

GDP. And the only reason why Venezuela's current account deficit is at 1.4% of GDP is because authorities have virtually banned any repatriation of funds at the official exchange rate. As mentioned earlier, effective embargo on repatriation of funds at the official rate of 10 VEF = US\$ 1 is the reason why Dr. Reddy's had to take a substantial provision in translating its net monetary assets in Venezuela. The other country that is going through significant economic turmoil is Russia. On 1 April 2014, the exchange rate was RUB 35.1 = US\$ 1. By 31 March 2015, it had dropped to RUB 58.2. And on 31 March 2016, it was at RUB 67.2 = US\$1. This, coupled with relatively high inflation and a freeze, if not reduction, in wages and salaries, has severely affected purchasing power, and has led to a sharp reduction in consumer demand – even for essentials such as pharmaceutical products. Hence, a pharmaceutical market that witnessed healthy double-digit growth in constant currency is now growing at low single digits. The third country which is in trouble, though smaller in comparison to Russia and Venezuela, is Ukraine. The economy has sharply contracted; the currency has seriously depreciated; and while there are no currency controls, the balance of payments deficit has surged to 3.5% of GDP. It remains to be seen how Russia and Venezuela perform with an expected firming up of crude oil prices in FY2017.

**4. Price controls:** These are prevalent in many Pharmerging markets. As an example, in April 2010, Russia implemented price controls through a reference price model for prescription drugs, which covered approximately 40% of the market by value. In 2013, India enhanced the scope of price controls from 74 molecules (or 12% of the market by value) to over 350 (some 34% of the market). Over time, we should expect variants of price control regimes to come up in different Pharmerging and developed markets as countries attempt to widen healthcare provisions and support for increasingly ageing populations, while keeping a control on national or local budgets.



### NORTH AMERICA GENERICS HIGHLIGHTS FY2016

# ₹ 75.4 bn

REVENUE ↑ 19%

Launched Esomeprazole Magnesium delayed release capsules of 20 mg and 40 mg.

Enjoyed market share gains in key molecules such as metoprolol ER and the sumatriptan auto injector.

### RUSSIA GENERICS HIGHLIGHTS FY2016

# ₹ 10.6 bn

REVENUE ↓ 29%

Due to the depreciation of the rouble.

Witnessed good traction in the OTC channel.

35% of revenues from Russia come from the OTC business.

### DR. REDDY'S MARKET PERFORMANCE FOR FY2016

We begin with the revenue-wise details (refer **Table 2**) of our businesses across geographies and then go on to discuss these in greater detail.

#### NORTH AMERICA GENERICS

North America generics continues to be a key growth driver for Dr. Reddy's. Revenues from the region increased by 19% to clock ₹ 75.4 billion (over US\$ 1.1 billion) and comprised 59% of GG revenues. This occurred despite customer consolidation and pricing pressures. Some key developments were:

- Momentum that started with the Company's injectable portfolio towards the end of FY2015 continued through the year.
- Launched Esomeprazole Magnesium delayed release capsules of 20 mg and 40 mg (the generic version of Nexium) during the third quarter of FY2016 – an example of successful technology transfer to an alternate site.
- Launched memantine hydrochloride tablets in various dosage forms, a generic version of Namenda®, used for the treatment of Alzheimer's disease.
- Launched pramipexole dihydrochloride extended release tablets in various dosages. This is a generic version of Mirapex ER® and used for treating Parkinson's disease.

- Enjoyed market share gains in key molecules such as metoprolol ER and the sumatriptan auto injector, thanks to a flexible supply chain that backed up fast manufacturing throughput.
- Witnessed no major downsides in terms of product supplies to the US market consequent to the ongoing remediation activities across our three plants.
- Acquired worldwide intellectual property rights of fondaparinux sodium, a generic anti-coagulant, from Alchemia.
- Settled the ongoing litigation on zoledronic acid.
- Acquired Habitrol®, an OTC nicotine replacement therapy transdermal patch, from Novartis Consumer Health Inc. in FY2015. The integration of Habitrol® has been as per plan and its performance was in line with expectations.
- Going forward, we are working on securing market share gains in esomeprazole magnesium as well as gains or retention across our key molecules, while being in launch readiness for certain important products in FY2017. We are also maturing the Habitrol® franchise and will be embarking on a branded OTC journey. Today, our US OTC business accounts for around 15% of sales. We are working on increasing this share in the years to come.

PARTICULARS	FY2016			FY2015			GROWTH (%)
	US\$	₹	%	US\$	₹	%	
<b>Global Generics</b>	1,933	128,062	83	1,802	119,397	81	7
North America		75,445			63,564		19
Europe*		7,732			6,482		19
India		21,293			17,870		19
Emerging Markets**		23,592			31,482		(25)
<b>PSAI</b>	338	22,379	14	384	25,456	17	(12)
North America		3,052			4,605		(34)
Europe		9,313			10,507		(11)
India		2,618			3,288		(20)
Rest of the World (RoW)		7,396			7,056		5
<b>Proprietary Products and Others</b>	64	4,267	3	50	3,336	2	28
<b>Total</b>	<b>2,335</b>	<b>154,708</b>	<b>100</b>	<b>2,237</b>	<b>148,189</b>	<b>100</b>	<b>4</b>

\* Europe primarily includes Germany, the UK and out-licensing sales business.

\*\* Emerging Markets refers to Russia, other CIS countries, Romania and Rest of the World (RoW) markets including Venezuela.

**Note:** Since Q1 FY2016, there was a change in the monitoring of performance of one product from GG to Proprietary Products. Consequently, the revenues and related costs of this product from the previous period have been reclassified to conform to this change.

## EUROPE GENERICS

# ₹ 7.7 bn

Revenues from Europe for FY2016

## INDIA GENERICS HIGHLIGHTS FY2016

# ₹ 21.3 bn

REVENUES ↑ 19%

Successfully integrated the select brands portfolio of UCB.

Improved IMS ranking from 16th to 12th.

## PSAI BUSINESS HIGHLIGHTS FY2016

# ₹ 22.4 bn

REVENUES ↓ 12%

The base business continued its momentum and also secured the support of our key customers.

# 50

DMFs FILED GLOBALLY

of which **8 were in the US**. Cumulatively, there were **768 DMF filings** as of 31 March 2016.

Subsequent to the period end, we have acquired:

- Eight ANDAs from Teva/Allergan across various dosage forms for U.S.\$ 350 million.
- Six well known OTC brands in cough, cold, pain and derma categories from Ducera Pharma.

## RUSSIA AND CIS

As mentioned earlier, revenues from Russia for FY2016 were ₹ 10.6 billion, which represented a 29% decline over the previous year primarily due to the depreciation of the rouble. In constant currency terms, revenues grew by 1%. Revenues from other CIS countries (including Romania) was ₹ 3.5 billion, or a year-on-year growth of 1%. The key performance indicators were:

- Resilient base business performance in an acutely constrained economic and geopolitical environment.
- Despite adverse conditions in our market, and the early setbacks faced in the year, we responded with dynamism and began our revival. From October 2015, the Company's monthly growth trend is above the Russian market growth rate (as per data from the IMS).
- We have witnessed good traction in the OTC channel. While the OTC market de-grew by 5.1%, our sales reduced by only 1% (IMS). At present, 35% of revenues from Russia come from the OTC business.
- In prescriptions, Dr. Reddy's is the only company in Russia to grow faster than the market over the last seven successive waves (data from Prescription Audit, November 2015).
- All our mega brands in Russia, such as Nise, Omez, Ciprolet, Ketorol, Cetrin and Senade, are leading in their respective categories.
- Going forward, our focus will be on: (i) portfolio augmentation, to reduce the dependence on key molecules; (ii) further strengthening of the OTC portfolio; and (iii) Participated in tenders for Rituximab in Russia (Dr. Reddy's Rituximab is approved in Russia). Securing approval and preparing for launch in other markets.
- In Ukraine, Dr. Reddy's continues to be the fastest growing among the top 30 pharmaceutical companies (IMS). We have had a notable biosimilar success. Reditux (rituximab) was launched in June 2015. Already, some 300 new patients have been using

Reditux; and it has become the No.1 prescribed biosimilar in the country –prescribed by more than 75% of hematologists.

## EUROPE

Revenues from Europe for FY2016 were ₹ 7.7 billion, and grew by 19% year-on-year. Europe generics accounted for 6% of the GG business. Growth was largely driven by Aripiprazole, an atypical antipsychotic primarily used in the treatment of schizophrenia and bipolar disorder and Pregabalin, a medication used to treat epilepsy, neuropathic pain, fibromyalgia, and generalized anxiety disorder.

## INDIA

Revenues from India in FY2016 grew at 19% year-on-year to achieve ₹ 21.3 billion. It accounted for 17% of GG revenues. The highlights were:

- In April 2015, Dr. Reddy's had announced a definitive agreement for €118 million (approximately ₹ 8 billion) to buy a select established brands portfolio from UCB group entities for the territories of India, Nepal, Sri Lanka and the Maldives. The portfolio comprised dermatology, respiratory, ENT and pediatrics diseases. This will further expand Dr. Reddy's therapy footprint into these fast growing areas. The deal was concluded in June 2015. Since then, the task of integrating the UCB portfolio has gone on well in line with expectations. It provides the Company with leading positions in some of the key therapeutic areas.
- There have been some focused business development deals. An example is our partnership with Ferrer Internacional S.A. of Spain to introduce Somazina® in India – a key medicine used for accelerating recovery and improving cognitive processes of patients who have had brain surgery, cerebral strokes or infarcts or acute head injuries. Another has led to the introduction of Saxagliptin, an oral hypoglycemic (or anti-diabetic) drug.
- We have improved our ranking from 16th to 12th (according to the IMS data). We have also improved our product portfolio mix.
- Going forward, the business will be focusing on: (i) enhancing the benefits of the portfolio acquisition from UCB; (ii) making new product

## PROPRIETARY PRODUCTS (PP) AND OTHERS HIGHLIGHTS FY2016

# ₹ 4.3 bn

## REVENUES ↑ 28%

Launched Zembrace™ SymTouch™, a sumatriptan 3 mg auto injector in April 2016.

Launched Sernivo™, which is a betamethasone dipropionate spray 0.05% in May 2016.

Concluded two in-licensing deals.

We have significantly strengthened our Quality Management Systems with the help of experienced third party experts and are developing various in-house subject matter experts at the level of the shop floors for sustainability.

launches; (iii) building a stronger OTC portfolio with top-of-the-mind brand awareness; and (iv) generating market leading growth on an enhanced base.

### PSAI

The PSAI business recorded revenues of ₹ 22.4 billion in FY2016, which was 12% lower than the previous year. The key developments were:

- During the year, 50 DMFs were filed globally, of which 8 were in the USA. The cumulative number of DMF filings as on 31 March 2016 were 768.
- The observations made by the USFDA on inspection of the plants are being addressed at a steady pace. However, the corrective and preventive efforts undertaken have impacted output and revenues.
- Despite lower growth and interruptions at Srikakulam and Miryalguda, the base business continued its momentum and we also secured the support of our key customers.
- Going forward, we propose to have best practices in quality management systems across all our CTO locations while expanding on value added offerings across markets.
- We also seek to improve the filing profile of our DMFs to better serve internal as well as external clients.

### PROPRIETARY PRODUCTS (PP)

The PP business (including 'others') accounted for ₹ 4.3 billion in revenues in FY2016, representing a 28% growth over the previous year. It was a very good year for PP.

- Approved by the USFDA in January 2016, PP launched Zembrace™ SymTouch™, a sumatriptan 3 mg auto injector in April 2016. Used by patients for the treatment of migraine, this 3 mg ready-to-use sub-cutaneous injection has four doses over a 24-hour period and should offer more rapid relief to patients. It is an example of addressing an under-met medical need with the product having a superior side effects profile.
- After securing a USFDA approval in February 2016, PP launched Sernivo™, which is a betamethasone dipropionate spray 0.05% in May 2016. It is a prescription topical steroid indicated for mild to moderate plaque psoriasis for

patients above 18 years of age. This is an example of creating differentiated drug delivery in spray form, where there are none.

- Concluded two in-licensing deals with: (i) XenoPort Inc. of the USA for the development and commercialization of a clinical stage new oral entity that has potential for the treatment of plaque psoriasis and may even be developed for relapsing forms of multiple sclerosis; and (ii) Eisai Company Ltd., Japan, for global commercial and development rights (excluding Asia) for an investigational anti-cancer agent.
- FY2017 will see the PP business gearing up to ensure commercial success of the two new launches while continuing to develop a potentially rich product and R&D pipeline in dermatology and neurology.

### USFDA OBSERVATIONS: AN UPDATE

As mentioned earlier, three of our facilities were inspected by the USFDA. They sent a warning letter to the Company citing deficiencies for which it wanted Dr. Reddy's to evaluate further corrective actions with the help of independent third party specialist consultants and to implement enhanced CAPAs. A detailed response letter was sent to the USFDA listing all our commitments, along with detailed remedial timelines. External specialist consultants have been engaged, and regular updates are being sent to the USFDA. In the process, we have significantly strengthened our Quality Management Systems with the help of experienced third party experts and are developing various in-house subject matter experts at the level of the shop floors for sustainability. Though a temporary setback, we are institutionalizing the experiences gained from this remediation exercise to put in place a best-in-class 'One Quality Standard' across all the facilities of the Company. In doing so, Dr. Reddy's should emerge stronger than before.

It needs to be mentioned that Dr. Reddy's is not an exception. There has been a recent wave of regulatory actions on several Indian sites, which arises out of a significant shift in the USFDA's approach from 'what has gone wrong' to 'what can go wrong'. This is a major change in expectations which will require all pharmaceutical companies in India





# ₹ 92.3 bn

Gross Profit for FY2016

Factors that positively affected gross profit margins include new product contribution, incremental export benefit and favorable product mix.



# 12.9%

PAT Margin for FY2016



# ₹ 17.8 bn

R&D expenses for FY2016, 11.5% of revenues.

R&D spend was in line with our efforts to focus on the development of a complex generics and specialized pipeline consisting of niche and differentiated products.



# ₹ 2.7 bn

Net finance expense for FY2016

to significantly invest in processes, automation, detailed documentation of each batch and of the Standard Operating Procedures to emerge successfully from inspections. While painful and costly in the short run, this will be eventually very beneficial for the industry.

### BUYBACK OF SHARES

Given the Company's strong cash flow position, its Board of Directors at a meeting held on 17 February 2016, approved a proposal to buyback of equity shares of the Company, subject to approval by the shareholders, for an aggregate amount not exceeding ₹ 15.69 billion, or up to 14.9% of the total paid-up equity capital and free reserves of the Company as on 31 March 2015, at a price not exceeding ₹ 3,500 per share. The buyback is open to all shareholders including those who become shareholders by cancelling their American Depository Shares and receiving underlying equity shares, but excludes the promoters and promoter group of the Company. The buyback is being conducted under the open market route according to the provisions given in the Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998 (as amended).

The maximum buyback price represents an 18.6% premium, compared to the average of the weekly high and low of the closing share price of Dr. Reddy's during the last two weeks up to 16 February 2016. Subsequently, the Company received the requisite approval from shareholders and the buyback process is in progress. The Company has bought and extinguished 350,000 fully paid up equity shares for an aggregate amount of ₹ 1.09 billion up to the date of this report.

### FINANCIALS CONSOLIDATED FINANCIALS

Please refer **Table 3** for the Consolidated Financial Performance as per IFRS.

### REVENUES

Revenues grew by 4% to ₹ 154,708 million in FY2016. Revenues growth was largely driven by our Global Generics segment's operations in North America, Europe and India. Macroeconomic factors continued to have an impact on key Emerging Market territories. Adverse exchange rate movements, primarily

of the rouble and the euro resulted in lower revenues in the reporting currency. Venezuela's performance was impacted by calibrated revenues – a decision taken by the Company given the constraints in repatriating profits at the official exchange rate. The PSAI segment's revenues were primarily impacted by delayed dispatches on account of ongoing remediation activities at Srikakulam and Miryalaguda.

### GROSS PROFIT

Gross profit rose by 8% to ₹ 92,281 million in FY2016. This translates to a gross profit margin of 59.6% in FY2016 versus 57.6% in FY2015. The gross profit margin for Global Generics was 65.9%; and for the PSAI business it was 22%. Factors that positively affected gross profit margins include new product contribution, incremental export benefit and favorable product mix.

### SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A)

SG&A expenses including amortisation increased by 7% to ₹ 45,702 million in FY2016. This was primarily due to the ongoing remediation activities related to the USFDA's observations, settlement of patent litigation on zoledronic acid, launch related activities of the Proprietary Products business and certain routine items related to manpower and other spends. SG&A accounted for 29.5% of sales in FY2016, which was 80 basis points higher than the previous year.

### R&D EXPENSES

R&D expenses were at ₹ 17,834 million, or 11.5% of revenues in FY2016 versus 11.8% in FY2015. With respect to the ongoing biosimilars development program for regulated markets in association with Merck Serono, we received our share of development costs and other contractual amounts. Normalized for this, the absolute spend is in line with our efforts to focus on the development of a complex generics and specialized pipeline consisting of niche and differentiated products.

### NET FINANCE EXPENSES

Net finance expense was ₹ 2,708 million in FY2016 versus a net finance income of ₹ 1,682 million in FY2015. This movement is primarily on account of: (i) higher net interest income by ₹ 701 million, counteracted by (ii) net foreign exchange loss of ₹ 4,133 million in FY2016

compared to a net foreign exchange gain of ₹ 958 million in FY2015. The foreign exchange loss in the current year is mainly due to the Venezuela related adjustments.

### INCOME TAX

For FY2016, income tax expense was ₹ 7,127 million, implying an effective tax rate of 26.3% versus ₹ 5,984 million in FY2015 and an effective tax rate of 21.2%. The increase is primarily on account of non-deductible translation losses of our subsidiary in Venezuela, proposed distribution of profits by our subsidiary and non-recognition of certain deferred tax assets. Normalized for the above, the annual effective tax rate is in line with previous year's rate.

### NET PROFIT

Net profit decreased by 10% to ₹ 20,013 million in FY2016. This represents a PAT margin of 12.9% of revenues versus 15% in FY2015.

### LIQUIDITY AND CAPITAL RESOURCES

Cash generated from operating activities in FY2016 was ₹ 41,247 million. Investing activities amounting to ₹ 20,423 million includes net investment in property, plant, equipment and intangibles to build capacity and capabilities for future business growth. Cash outflow from financing activities was ₹ 17,001 million. **Table 4** gives the data on consolidated cash flows and **Table 5** on consolidated working capital.

### DEBT-EQUITY

In FY2016, long-term borrowings, including the current and non-current portion, decreased by ₹ 10,473 million. Short term borrowing rose by ₹ 861 million. As on 31 March 2016, the Company's debt-equity ratio was at 0.26 compared to 0.39 last year. The net debt to equity position was at -0.05 (i.e. net surplus position) versus 0.03 last year.

Refer **Table 6** for the Debt and Equity Position.

### IGAAP STANDALONE PROFIT AND LOSS

Refer **Table 7** for the IGAAP Standalone Financials

### VENEZUELA ADJUSTMENT

During FY2016 the Company did not receive approvals from the Venezuelan government to repatriate any amount beyond US\$ 4 million already received during the year. Accordingly, the monetary assets and liabilities of the Venezuelan subsidiary have been translated using the DICOM rate (i.e. 272.5 VEF per US\$) instead of the official 'preferential' rate (of 10 VEF per US\$). The resultant impact for FY2016 was ₹ 5,085 million. The similar charge on account of translation of net monetary assets was ₹ 843 million accrued in FY2015.

### ENTERPRISE-WIDE RISK MANAGEMENT (ERM)

Dr. Reddy's ERM function operates with the following objectives:

- Proactively identify and highlight risks to the right stakeholders;
- Facilitate discussions around risk prioritization and mitigation;
- Provide a framework to assess risk capacity and appetite; develop systems to warn when the appetite is being breached.
- Provide an analysis of residual risk.

The ERM team connects with the Company's business units and functions - the primary source for risk identification. The ERM team also regularly monitors external trends on liabilities and risks reported by peers.

### RISK IDENTIFICATION AND MITIGATION AT THE BUSINESS UNIT OR FUNCTION LEVEL

The ERM team focuses on identification of key business, operational and strategic risks, which is carried out through structured interviews, surveys, on-call discussions or incidents. The team collaborates with the Compliance, Sarbanes-Oxley (SOX) and Internal Audit teams on operational, compliance, financial reporting and process aspects to identify and mitigate risks of business units. Mitigation is periodically reviewed, and the progress on key risks are discussed at the Company's management-level and Board-level Risk Committees.

PARTICULARS	FY2016		FY2015		GROWTH (%)
	₹ MILLION	%	₹ MILLION	%	
<b>Revenues</b>	154,708	100.0	148,189	100.0	4
Cost of revenues	62,427	40.4	62,786	42.4	(1)
<b>Gross profit</b>	92,281	59.6	85,403	57.6	8
<b>Operating Expenses</b>					
Selling, general & administrative expenses	45,702	29.5	42,585	28.7	7
Research and development expenses	17,834	11.5	17,449	11.8	2
Other operating (income)/expense	(874)	(0.6)	(917)	(0.6)	(5)
<b>Results from operating activities</b>	29,619	19.1	26,286	17.7	13
Net finance (expense)/income	(2,708)	(1.8)	1,682	1.1	NM
Share of profit of equity accounted investees, net of income tax	229	0.1	195	0.1	18
<b>Profit before income tax</b>	27,140	17.5	28,163	19.0	(4)
Income tax expense	(7,127)	(4.6)	(5,984)	(4.0)	19
<b>Profit for the period</b>	20,013	12.9	22,179	15.0	(10)
<b>Diluted EPS (₹ per share)</b>	117		130		(10)

PARTICULARS	FY2016	FY2015
<b>Opening cash and cash equivalents</b>	5,394	8,451
Cash flows from:		
(a) Operating activities	41,247	25,033
(b) Investing activities	(20,423)	(22,904)
(c) Financing activities	(17,001)	(4,118)
Effect of exchange rate changes	(4,296)	(1,068)
<b>Closing cash and cash equivalents</b>	4,921	5,394

The ERM team also regularly monitors external trends on liabilities and risks reported by peers.

Our People Management Effectiveness Index grew by 400 basis points.

Dr. Reddy's continues to be an employer of choice for women and in order to keep it that way, we are making the workplace at Dr. Reddy's more inclusive through our talent acquisition efforts.

### RISK AGGREGATION, PRIORITIZATION AND MITIGATION AT THE ORGANISATIONAL LEVEL

Risks are aggregated at the unit/function and organisation level and categorized by risk groups. The Company's response framework categorizes them into: (i) Preventable, (ii) Strategic and (iii) External risks. The Finance, Investment and Risk Management Council (or FIRM Council), is the Company's management committee that helps the ERM function to prioritize organisation-wide risks and steer mitigation efforts in line with the Company's risk capacity and appetite. The FIRM council also oversees financial risk management and capital allocation decisions.

### REVIEWING THE STATUS OF MITIGATION AND RESIDUAL RISKS

The Head of Dr. Reddy's ERM team provides periodic updates to the FIRM Council and the Risk Committee of the Board of Directors. These include: (i) quarterly updates on the progress of mitigation of key risks; and (ii) specific risk-related initiatives carried out during the year.

During FY2016, the ERM team facilitated mitigation of certain geo-political and country risks, and firming up cyber security-related controls; including review of other execution risks. On Financial Risk

Management (FRM), the team assisted in updating the capital allocation framework and facilitated discussions on hedging the currency risks.

### HUMAN RESOURCES (HR)

Building on the organisation's efforts to provide a distinctive experience to our employees, our focus this year was to strengthen the integrated talent management approach, which aims to acquire, nurture and develop the best talent to prepare them for leadership roles within the organisation.

To achieve this, we took a closer look at our entry level hires – how they are appointed, and career paths they ought to take. We strengthened the touch points at all levels, and deepened the engagement with campuses, a primary source of our entry level hiring. Our efforts were also to provide clear career paths to members of our Self Managed Teams and chalk out an empowerment roadmap for them.

Our flagship programs like 'Building People Manager's Effectiveness' and 'Developing Next Level Leaders' as part of the New Horizons Leadership Program (NHLP) continued to yield superior levels of employee engagement. We trained our people managers to give feedback and hold career conversations with their colleagues. Our People Management

TABLE 5 CONSOLIDATED WORKING CAPITAL			(₹ MILLION)
PARTICULARS	AS ON 31 MARCH 2016	AS ON 31 MARCH 2015	CHANGE
Trade Receivables (A)	41,306	40,755	551
Inventories (B)	25,578	25,529	49
Trade Payables (C)	12,300	10,660	1,640
Working Capital (A+B-C)	54,584	55,624	(1,040)
Other Current Assets (D)	52,804	53,554	(750)
<b>Total Current Assets (A+B+D)</b>	<b>119,688</b>	<b>119,838</b>	<b>(150)</b>
Short and long-term loans and borrowings, current portion (E)	22,828	28,819	(5,991)
Other Current Liabilities (F)	29,518	24,516	5,002
<b>Total Current Liabilities (C+E+F)</b>	<b>64,646</b>	<b>63,995</b>	<b>651</b>

TABLE 6 DEBT AND EQUITY POSITION			(₹ MILLION)
PARTICULARS	AS ON 31 MARCH 2016	AS ON 31 MARCH 2015	CHANGE
<b>Total stockholders' equity</b>	<b>128,336</b>	<b>111,302</b>	<b>17,034</b>
Long-term debt (current portion)	110	6,962	(6,852)
Long-term debt (non-current portion)	10,685	14,307	(3,622)
Short term borrowings	22,718	21,857	861
<b>Total debt</b>	<b>33,513</b>	<b>43,126</b>	<b>(9,613)</b>



Effectiveness Index grew by 400 basis points. NHLP, the leadership program which is built on the four tenets of 'Lead Self, Lead Others, Lead Change and Lead Business', saw the graduation of a new batch of leaders.

Our focus on productivity also received impetus, as we benchmarked our performance with the industry and executed organisational design interventions that focused on delayering, reducing spans, sharply defining roles and agreeing on tighter manning norms.

Dr. Reddy's continues to be an employer of choice for women and in order to keep it that way, we are making the workplace at Dr. Reddy's more inclusive through our talent acquisition efforts. We also continue to fast-track our high potential women employees to increase diversity at the leadership level.

## OUTLOOK

In FY2016, the Company was affected by three external factors:

- a. negative observations of USFDA audits in three facilities two API sites and one onco formulation site, which reduced production from some of these units and led to extensive remediation efforts at higher one-time costs;
- b. continued economic problems in Russia and the depreciated rouble, which limited topline growth in constant currency and shrunk revenues in the reporting currency; and

- c. the virtual economic collapse, balance of payments crisis and a huge gap between the official exchange rate and the more applicable DICOM rate in Venezuela, which required of us to make substantial provisions on our net assets and receivables in the country.

Without these three factors, Dr. Reddy's would have achieved significantly greater revenues and profits.

While it is very difficult to predict how the economic situation will evolve in Venezuela, there are now sufficient indicators to suggest that Russia may be on the mend. If FY2017 exhibits somewhat firmer crude oil prices, as most analysts seem to expect, the rouble ought to start appreciating and there could be an uptick in consumer spending. Besides, we have started introducing more complex generics in the pipeline for Russia, have further strengthened our OTC offerings, and are making steady inroads in the institutional business, such as the supply of oral dosages and injectables to hospitals. Therefore, we are cautiously optimistic about our prospects in Russia and CIS for FY2016, and expect the results to be better than those of the current year.

Given the seriousness with which we have engaged in remedial efforts – not just in three facilities but across all manufacturing units of Dr. Reddy's, we hope to adequately satisfy the USFDA when it come to inspect these plants post-remediation.

We have a very attractive pipeline in terms of complex generics offerings and new proprietary product drugs. In FY2017 we aim to leverage these strongly across North America, Europe and Russia, as, along with our biosimilar offerings. We should also increase our OTC portfolio and offerings in the USA, India and Russia; and make concerted forays in creating a branded generics bridgehead in North America. We also expect the PSAI business, especially API manufacturing, to revive and generate greater revenues as well as profit.

Therefore, in the absence of unforeseen and adverse events, we expect Dr. Reddy's to perform marginally better in FY2017 vis-à-vis the current year.

## CAUTIONARY STATEMENT

The management of Dr. Reddy's has prepared and is responsible for the financial statements that appear in this report. These statements are in conformity with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board, and accounting principles generally accepted in India and, therefore, include amounts based on informed judgments and estimates. The management also accepts responsibility for the preparation of other financial information that is included in this report. This write-up includes some forward-looking statements, as defined in the US Private Securities Litigation Reform Act of 1995.

The management has based these forward-looking statements on its current expectations and projections about future events. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially. These factors include, but are not limited to, changes in local and global economic conditions, the Company's ability to successfully implement its strategy, the market's acceptance of and demand for its products, growth and expansion, technological change, and exposure to market risks. By their nature, these expectations and projections are only estimates and could be materially different from actual results in the future.

TABLE 7 IGAAP STANDALONE FINANCIALS		(₹ MILLION)		
PARTICULARS	FY2016	FY2015	CHANGE	
<b>Net sales/Income from operations (Net of excise duty)</b>	99,218	98,874	344	
License fees and service Income	2,288	401	1,887	
Other Income	3,019	3,063	(44)	
<b>Total Income</b>	<b>104,525</b>	<b>102,338</b>	<b>2,187</b>	
<b>EXPENSES</b>				
a) Cost of materials consumed	19,885	23,227	(3,342)	
b) Purchase of traded goods	6,104	5,261	843	
c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(288)	(289)	1	
d) Employee benefits expense	17,100	14,909	2,191	
e) Selling expenses	9,275	10,634	(1,359)	
f) Depreciation and amortisation	6,491	4,902	1,589	
g) Other expenditure	29,520	22,457	7,063	
h) Finance Costs	638	638	0	
<b>Profit before tax</b>	<b>15,800</b>	<b>20,599</b>	<b>(4,799)</b>	
Tax Expense	2,255	3,805	(1,550)	
<b>Profit for the year</b>	<b>13,545</b>	<b>16,794</b>	<b>(3,249)</b>	

# Corporate Governance

Dr. Reddy's Laboratories Limited ('Dr. Reddy's' or 'the Company') believes that timely disclosures, transparent accounting policies and a strong and independent Board go a long way in maintaining good corporate governance, preserving shareholders' trust and maximizing long-term corporate value.

Given the Company's size and complexity in operations, Dr. Reddy's corporate governance framework is based on the following main principles:

- Appropriate composition and size of the Board, with each Director bringing in key expertise in different areas.
- Proactive flow of accurate information to the members of the Board and Board Committees to enable effective discharge of fiduciary duties.
- Ethical business conduct by the Board, management and employees.
- Well-developed systems and processes for internal controls across all operations, risk management and financial reporting.
- Protect and facilitate the exercise of shareholders' rights.
- Adequate, timely and accurate disclosure of all material operational and financial information to the stakeholders.

In India, the Securities and Exchange Board of India (SEBI) regulates corporate governance for listed companies through Clause 49 of the Listing Agreement (up to 30 November 2015) and through SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) (with effect from 1 December 2015). Dr. Reddy's is in full compliance with all the applicable provisions of the SEBI's corporate governance norms. It is also in compliance with the appropriate corporate governance standards of the New York Stock Exchange Inc. (NYSE).

Notes: FY2016 represents fiscal year 2015-16 from 1 April 2015 to 31 March 2016, and analogously for FY2015 and previously such labeled years.

This chapter of the annual report together with information given under the chapters entitled *Management Discussion and Analysis* and *Additional Shareholders' Information* constitute the compliance report of the Company on corporate governance during FY2016.

## BOARD OF DIRECTORS COMPOSITION

As on 31 March 2016, the Board of Dr. Reddy's had nine Directors, comprising (i) two Executive Directors, including the Chairman, and (ii) seven Independent Directors (of whom one is a woman) as defined under the Companies Act, 2013, the Listing Regulations and the Corporate Governance Guidelines of the NYSE Listed Company Manual. Detailed profiles of the Directors have been given in this annual report.

The Directors have expertise in the fields of strategy, management, finance, operations, science, technology, human resource development and economics. The Board provides leadership, strategic guidance, objective and independent view to the Company's management while discharging its fiduciary responsibilities, thereby ensuring that the management adheres to high standards of ethics, transparency and disclosure.

The Board continuously reviews the Company's governance, risk and compliance framework, business plans, and organisation structure to align with the global standards and competitive benchmark.

Each Director informs the Company on an annual basis about the Board and Board Committee positions he/she occupies in other companies including Chairmanships and notifies any changes during the term of their Directorship in the Company. In addition, the Independent Directors provide a confirmation to the effect that they meet the criteria of independence as defined under the Indian laws. **Table 1** gives

the composition of Dr. Reddy's Board, their positions, relationship with other Directors, date of joining the Board, other Directorships and memberships of Committees held by each of them.

## TERM OF BOARD MEMBERSHIP

The Board, on the recommendations of the Nomination, Governance and Compensation Committee, considers the appointment and re-appointment of Directors.

Section 149 of the Companies Act, 2013, provides that an Independent Director shall hold office for a term of up to five consecutive years on the Board of a Company and shall be eligible for re-appointment on passing of a special resolution by the shareholders of the Company. However, the Independent Directors shall not retire by rotation.

Accordingly, all the Independent Directors of the Company were appointed as Independent Directors under Section 149 of the Companies Act, 2013, for a term ranging from 1-5 years at the 30th Annual General Meeting. Consequently, the term of Mr. Ravi Bhoothalingam, Independent Director, ends at the forthcoming 32nd Annual General Meeting on 27 July 2016.

Section 152 of the Companies Act, 2013, states that one-third of the Board members other than Independent Directors who are subject to retire by rotation, shall retire every year and shall be eligible for re-appointment, if approved by the shareholders at their meeting. Accordingly, at the 30th Annual General Meeting, the Company has amended the terms of appointment of Whole-time Directors, making them liable to retire by rotation.

In view of the above, Mr. K Satish Reddy, Whole-time Director, retires by rotation at the forthcoming Annual General Meeting, and being eligible, seeks re-appointment.

The Board of Directors at their meeting held on 29 October 2015, had re-appointed Mr. G V Prasad as Whole-time Director designated as Co-Chairman, Managing Director and CEO of the Company. Further, Mr. Bharat Narotam Doshi and Mr. Hans Peter Hasler were appointed as Additional Directors of the Company, categorized as Independent.

In view of the above, approval of the shareholders is being sought for:

- i. The re-appointment of Mr. G V Prasad, as Whole-time Director designated as Co-Chairman, Managing Director and CEO, for a period of five years with effect from 30 January 2016.
- ii. The appointment of Mr. Bharat Narotam Doshi and Mr. Hans Peter Hasler as Independent Directors, under Section 149 of the Companies Act, 2013 for a term of five years each, with effect from 11 May 2016 and 17 June 2016 respectively.

### SELECTION AND APPOINTMENT OF NEW DIRECTORS

Induction of any new member on the Board of Directors is the responsibility of the Nomination, Governance and Compensation Committee, consisting entirely of Independent Directors. Considering the existing composition of the Board and requirement of new domain expertise, if any, the Nomination, Governance and Compensation Committee reviews potential candidates, in terms of their expertise, skills, attributes, personal and professional backgrounds and their ability to attend meetings in India. The Committee

then places the details of shortlisted candidates who meet these criteria to the Board for its consideration. If the Board approves, the person is appointed as an Additional Director, subject to the approval of the shareholders in the Company's general meeting.

### FAMILIARIZATION PROCESS FOR INDEPENDENT DIRECTORS

To familiarize a new Independent Director with the Company, a kit containing informative documents about the Company like Annual Reports, Sustainability Reports, investor presentations, recent press releases, research reports, Memorandum and Articles of Association, etc. are provided to him/her. The new Independent Director meets individually with Board members and senior management. Visits to plant location(s) are also organized for the new Director to understand the Company's operations.

The Company believes that the Board should be continuously empowered with the knowledge of latest developments affecting the Company and the industry as a whole. Apart from the periodic presentations on Company's business strategies and risks involved,

presentations are also made on topics covering the pharmaceutical industry, peer study on specialty pharma model, etc. They also visit manufacturing and research locations of the Company. Updates on relevant statutory changes and judicial pronouncements around important industry related laws are regularly circulated to the Directors. Each Director of the Company has complete access to any Company's information and freedom to interact with the senior management.

The details of the familiarization programs imparted to Independent Directors are available on the Company's website [www.drreddys.com/media/325297/familiarization-process-2016.pdf](http://www.drreddys.com/media/325297/familiarization-process-2016.pdf)

### INDUCTION AND LETTER OF APPOINTMENT

As a part of the induction process, the shortlisted candidate is given an opportunity to meet the other Board members and senior management, in addition to the plant visits.

The Independent Directors on the Board of the Company, upon their appointment, are given a formal appointment letter, *inter alia*, containing

**TABLE 1 COMPOSITION OF DR. REDDY'S BOARD AND OTHER DIRECTORSHIPS HELD AS ON 31 MARCH 2016**

NAME	POSITION	RELATIONSHIP WITH OTHER DIRECTORS	DATE OF JOINING	DIRECTORSHIPS U/S. 165 OF THE COMPANIES ACT, 2013		OTHER DIRECTORSHIPS <sup>(1)</sup>	COMMITTEE MEMBERSHIP <sup>(2)</sup>	CHAIRMANSHIP IN COMMITTEES <sup>(2)</sup>
				PUBLIC COMPANIES	PRIVATE COMPANIES			
Mr. K Satish Reddy	Chairman	Brother-in-law of Mr. G V Prasad	18 January 1993	10	7	27	2	-
Mr. G V Prasad <sup>(3)</sup>	Co-Chairman, Managing Director and CEO	Brother-in-law of Mr. K Satish Reddy	8 April 1986	8	5	13	1	-
Dr. Omkar Goswami	Independent Director	None	30 October 2000	10	2	-	7	1
Mr. Ravi Bhoothalingam	Independent Director	None	30 October 2000	2	-	-	2	1
Mr. Anupam Puri	Independent Director	None	4 June 2002	4	-	1	2	-
Ms. Kalpana Morparia	Independent Director	None	5 June 2007	3	2	1	2	1
Dr. Bruce LA Carter	Independent Director	None	21 July 2008	2	-	3	1	-
Dr. Ashok S Ganguly	Independent Director	None	23 October 2009	2	1	-	-	-
Mr. Sridar Iyengar	Independent Director	None	22 August 2011	5	2	5	-	4

<sup>(1)</sup> Other Directorships are those, which are not covered under Section 165 of the Companies Act, 2013.

<sup>(2)</sup> Membership/Chairmanship in Audit and Stakeholders Relationship Committees of all public limited companies, whether listed or not, including Dr. Reddy's are considered. Membership/Chairmanship of foreign companies, private limited companies and companies under Section 8 of the Companies Act, 2013 have been excluded.

<sup>(3)</sup> Mr. G V Prasad has been re-appointed as Whole-time Director designated as Co-Chairman, Managing Director and CEO for a further period of 5 years by the Board of Directors at their meeting held on 29 October 2015 effective from 30 January 2016, subject to the approval of shareholders.

<sup>(4)</sup> None of the Independent Directors serves as an Independent Director in more than seven listed companies.



the term of appointment, roles, function, duties & responsibilities, code of conduct, disclosures, confidentiality, etc. The terms and conditions of the appointment of the Independent Directors are available on the Company's website [www.drreddys.com/investor/governance/policies-and-documents/terms-condition-directors.html](http://www.drreddys.com/investor/governance/policies-and-documents/terms-condition-directors.html)

### BOARD EVALUATION

The Board has carried out an annual evaluation of its own performance, as well as the working of its Committees. The Nomination, Governance and Compensation Committee laid down the criteria for such performance evaluation. In order to ensure objectivity, an independent expert was engaged to manage the evaluation process in FY2015. The evaluation process was carried out internally in FY2016. Each Board member completed a questionnaire on other Board members for peer evaluation and a

questionnaire to provide feedback on Board, its Committees and their functioning. The contribution and impact of individual members was evaluated on parameters such as level of engagement, independence of judgment, conflicts resolution and their contribution in enhancing the Board's overall effectiveness. A 360 degree feedback cum-assessment of individual Directors, the Board as a whole and its Committees was discussed and collective action points for improvement were put in place. The peer ratings on certain parameters, positive attributes and improvement areas for each Board member were also provided to them in a confidential manner.

### DIRECTORS' SHAREHOLDING IN THE COMPANY

**Table 2** gives details of shares held by the Directors as on 31 March 2016.

### MEETINGS OF THE BOARD

The Company plans and prepares the schedule of the Board and Board Committee meetings in advance to assist the Directors in scheduling their program. The schedule of meetings and their agenda are finalized in consultation with the Chairman and Directors. The agenda of the Board and Committee meetings are pre-circulated in advance with appropriate presentations, detailed notes, supporting documents and executive summaries.

Under Indian laws, the Board of Directors must meet at least four times a year, with a maximum gap of one hundred and twenty days between two Board meetings. Dr. Reddy's Board met six times during the financial year under review on: 12 May 2015, 30 July 2015, 29 October 2015, 23 December 2015, 9 February 2016 and 17 February 2016. Details of Directors and their attendance at Board meetings and Annual General Meeting (AGM) are given in **Table 3**.

The Board and its Committee meetings at Dr. Reddy's typically comprise of two-day sessions. In the course of these meetings, the business unit heads and key functional heads make presentations to the Board and its Committees. The Board is updated on the discussions at the Committee meetings and their recommendations through the chairpersons of the respective Committees.

### INFORMATION GIVEN TO THE BOARD

The Company provides the following information, *inter alia*, to the Board and Board-level Committees, which is given either as part of the meetings or by way of presentations and discussion material during the meetings.

- Annual operating plans and budgets, capital budgets and other updates.
- Quarterly, half-yearly and annual financial results of the Company and its operating divisions or business segments.
- Detailed presentations on the progress in Research and Development (R&D) and new drug discoveries.
- Minutes of meetings of the Audit Committee and other Committees of the Board.
- Information on recruitment and remuneration of key executives below the Board level including appointment or removal of Chief Financial Officer and the Company Secretary.

TABLE 2 SHARES/ADRS HELD BY THE DIRECTORS AS ON 31 MARCH 2016	
NAME	NO. OF SHARES/ADRS HELD
Mr. K Satish Reddy <sup>(1)</sup>	1,205,832
Mr. G V Prasad <sup>(1)</sup>	1,365,840
Dr. Omkar Goswami	22,800
Mr. Ravi Bhoothalingam	22,800
Mr. Anupam Puri (ADRs)	18,302
Ms. Kalpana Morparia	10,800
Dr. Bruce L A Carter (ADRs)	7,800
Dr. Ashok S Ganguly	4,800
Mr. Sridar Iyengar	-

<sup>(1)</sup> APS Trust owns 83.11% of Dr. Reddy's Holdings Limited, which in turn owns 39,961,234 shares of Dr. Reddy's Laboratories Limited. Mr. G V Prasad, Mr. K Satish Reddy, Ms. G. Anuradha, Ms. Deepti Reddy and their bloodline descendants are the beneficiaries of APS Trust.

TABLE 3 DIRECTORS' ATTENDANCE AT DR. REDDY'S BOARD MEETINGS AND AGM HELD DURING FY2016			
NAME	MEETINGS HELD IN DIRECTOR'S TENURE	NUMBER OF BOARD MEETINGS ATTENDED	ATTENDANCE IN LAST AGM ON 31 JULY 2015
Mr. K Satish Reddy	6	6	Present
Mr. G V Prasad	6	5 <sup>(1)(2)</sup>	Present
Dr. Omkar Goswami	6	4 <sup>(1)(2)</sup>	Present
Mr. Ravi Bhoothalingam	6	4 <sup>(1)</sup>	Present
Mr. Anupam Puri	6	4 <sup>(1)(2)</sup>	Present
Dr. J P Moreau*	2	2	Present
Ms. Kalpana Morparia	6	6	Present
Dr. Bruce L A Carter	6	4 <sup>(1)(2)</sup>	Absent
Dr. Ashok S Ganguly	6	6	Present
Mr. Sridar Iyengar	6	4 <sup>(1)(3)</sup>	Present

<sup>(1)</sup> Were given leave of absence on request.

<sup>(2)</sup> Attended one meeting through tele-conference.

<sup>(3)</sup> Attended two meetings through tele-conference.

\* Term ended on 31 July 2015 as an Independent Director.

- Significant regulatory matters concerning Indian or foreign regulatory authorities.
- Issues, which involves possible public or product liability claims of a substantial nature, if any.
- Risk analysis of various products, markets and businesses.
- Detailed analysis of potential acquisition targets or possible divestments.
- Details of any joint venture or collaboration agreements.
- Transactions that involve substantial payment towards, or impairment of, goodwill, brand equity or intellectual property.
- Significant sale of investments, subsidiaries, assets which are not in the normal course of business.
- Contracts in which Director(s) are interested.
- Materially important show cause, demand, prosecution and penalty notices, if any.
- Fatal or serious accidents or dangerous occurrences, if any.
- Significant effluent or pollution problems, if any.
- Materially relevant default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company, if any.
- Significant labor problems and their proposed solutions, if any.
- Significant development in the human resources and industrial relations fronts.
- Quarterly details of foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movement.
- Non-compliance of any regulatory or statutory nature or listing requirements as well as shareholders' services such as non-payment of dividend and delays in share transfer, if any.
- Subsidiary companies minutes, financial statements and significant transactions & investments.
- Significant transactions and arrangements.

#### POST MEETING FOLLOW-UP MECHANISM

The important decisions taken at the Board/Board Committees' meetings are communicated to the concerned departments/divisions promptly. An action taken/status report on the decisions of the previous meeting(s) is placed at the next meeting of

the Board/Board Committees for information and further recommended action(s), if any.

#### MEETINGS OF INDEPENDENT DIRECTORS

During FY2016, the Independent Directors of Dr. Reddy's met four times in executive sessions without the presence of Executive Directors and other members of the management. The Company is ready to facilitate more such sessions as and when required by the Independent Directors.

During these sessions, the Independent Directors reviewed the performance of senior management, Independent and non-Independent Directors, including the Chairman and the Board as a whole. They also assessed the quality and adequacy of the information between the Company's management and the Board.

The Independent Directors also discuss the performance of the Company, agenda of meetings, strategy, risks, competition and succession planning for the Board and the senior management.

The lead Independent Director, with or without other Independent Directors, provides structured feedback to the Board about the key elements that emerge out of these executive sessions.

#### ANNUAL BOARD RETREAT

During FY2016, the Annual Board Retreat was organized at Hyderabad, India on 30-31 October 2015. As a part of the retreat agenda, the Board conducted a strategy review of the Company's business segments, and also discussed various governance related matters.

#### DIRECTORS' REMUNERATION

The Company has a policy for the remuneration of Directors, Key Managerial Personnel (KMPs), Senior Management Personnel (SMPs) and other employees. The Remuneration Policy of the Company is enclosed as **Annexure A** to this chapter. The policy lays down remuneration principles and parameters to ensure that remuneration practices are competitive and reasonable, in line with the corporate and individual performance.

The Executive Directors are appointed by shareholders' resolution for a period of five years. No severance fees is payable to the Executive Directors.

Except the commission payable, all other components of remuneration to the Executive Directors are fixed and in line with the Company's policies.

The remuneration for the Executive Directors, including the commission based on net profits of the Company, is recommended by the Nomination, Governance and Compensation Committee to the Board for consideration. The commission to be paid to the Executive Directors is decided by the Board every year, within the limits approved by the shareholders.

The Independent Directors are entitled to receive sitting fees and reimbursement of any expenses for attending meetings of the Board and its Committees, as well as commission based on the net profits of the Company. The remuneration including commission payable to the Directors during the year under review is in conformity with the applicable provisions of the erstwhile Companies Act, 1956 and the Companies Act, 2013, and was duly considered and approved by the Board and the shareholders, in their respective meetings.

The remuneration paid or payable to the Directors for FY2016 is given in **Table 4**.

The criteria for making payments to the Executive Directors are:

- Salary, as recommended by the Nomination, Governance and Compensation Committee and approved by the Board and the shareholders. Perquisites and retirement benefits are also paid in accordance with the Company's compensation policies, as applicable to all employees.
- Commission on profits, as recommended by the Nomination, Governance and Compensation Committee and approved by the Board and shareholders of the Company subject to (i) the percentage of net profit calculated in line with Section 198 of the Companies Act, 2013; and (ii) approval of the shareholders.
- Remuneration paid to the Executive Directors is determined keeping in view their KPIs and the industry benchmarks.

The criteria for making payments to the Independent Directors are:

- The shareholders of the Company have approved the payment of

commission up to 0.50 percent of net profits, calculated in accordance with the provisions of the Companies Act, collectively to all the Independent Directors, for each of the financial years starting from FY2012 and ending with FY2016.

- The Board decides the amount of commission payable to Independent Directors every year, within the overall limit of 0.50 percent of net profits and in line with the Company's performance. The compensation is also benchmarked with some of the top Indian companies.
- Remuneration paid to Independent Directors is determined by keeping in view the industry benchmarks, and based on their chairmanship/ membership in various Committees of the Board.
- Shareholders of the Company approved granting of up to 200,000 stock options in aggregate at any point of time during the financial years starting from FY2012 and ending with FY2016 to all the Directors (except the Promoter Directors). Of this, up to 60,000 stock options can be granted in a single financial year to the Directors, as previously mentioned, under any of the stock option plans, either existing or to be framed in future, on such terms and conditions as the Nomination, Governance and Compensation Committee/Board of Directors may think fit. The Company, in compliance with the provisions of Section 197 of the

Companies Act, 2013, Clause 49 of the Listing Agreement (up to 30 November 2015) and Listing Regulations (with effect from 1 December 2015), has not granted stock options to Independent Directors since FY2013.

#### INDEPENDENT DIRECTORS

The Independent Directors of the Company head the following governance and/or Board Committee functions:

- Mr. Anupam Puri: Governance, corporate strategy and Lead Independent Director.
- Dr. Bruce LA Carter: Science, Technology and Operations Committee.
- Dr. Ashok S Ganguly: Nomination, Governance and Compensation Committee.
- Mr. Sridar Iyengar: Audit Committee, and all financial and audit matters that fall under the remit of the Committee.
- Ms. Kalpana Morparia: Stakeholders Relationship Committee.
- Dr. Omkar Goswami: Risk Management Committee, financial risk management, subsidiary finances and compliance with Section 404 of the US Sarbanes-Oxley Act, 2002.
- Mr. Ravi Bhoothalingam: Corporate Social Responsibility Committee, Compliance and Ombudsperson for the whistle blower policy of the Company.
- Dr. J P Moreau: Pharmaceutical regulatory compliance (Term ended on 31 July 2015).

#### RISK MANAGEMENT

The Company has in place an enterprise-wide risk management (ERM) system. An independent Risk Management Committee of the Board oversees and reviews the risk management framework, assessment of risks, their management and minimization procedures. The Committee reports its findings and observations to the Board. A section on risk management practices of the Company under the ERM framework forms a part of the chapter on *Management Discussion and Analysis* in this annual report.

#### COMPLIANCE REVIEWS

Dr. Reddy's has a compliance team and an identified Chief Compliance Officer for overseeing compliance activities, which includes monitoring and a defined framework to review compliances with all laws applicable to the Company. The compliance status is periodically updated to the senior management team including the CEO, the COO and the CFO. Presentations are scheduled in the quarterly Audit Committee and Risk Management Committee meetings regarding the status on compliance. Those are also shared with all the Board members.

#### CODE OF BUSINESS CONDUCT AND ETHICS AND OMBUDSPERSON PROCEDURE (VIGIL MECHANISM)

The Company has adopted a Code of Business Conduct and Ethics (the 'Code'), which applies to all its Directors

TABLE 4 REMUNERATION PAID OR PAYABLE TO THE DIRECTORS FOR FY2016					(₹ '000)
NAME	COMMISSION <sup>(1)</sup>	SALARIES	PERQUISITES <sup>(2)</sup>	TOTAL	
Mr. K Satish Reddy	76,500	6,315	5,212	88,027	
Mr. G V Prasad	108,000	8,328	2,897	119,225	
Dr. Omkar Goswami	9,714	-	-	9,714	
Mr. Ravi Bhoothalingam	10,049	-	-	10,049	
Mr. Anupam Puri	11,121	-	-	11,121	
Dr. J P Moreau <sup>(3)</sup>	4,891	-	-	4,891	
Ms. Kalpana Morparia	11,054	-	-	11,054	
Dr. Bruce LA Carter	10,116	-	-	10,116	
Dr. Ashok S Ganguly	10,384	-	-	10,384	
Mr. Sridar Iyengar	10,451	-	-	10,451	

Notes: <sup>(1)</sup> Payment of commission is variable, and based on percentage of net profit calculated according to Section 198 of the Companies Act, 2013. The Board of Directors recommended for a fixed commission of ₹ 6,699,500 (US\$ 100,000) per Independent Director; a specific commission of ₹ 1,339,900 (US\$ 20,000) to the Chairman of the Audit Committee; ₹ 1,004,935 (US\$ 15,000) to the Chairman of Science, Technology and Operations Committee, Nomination, Governance and Compensation Committee, Risk Management Committee and Stakeholders Relationship Committee; ₹ 669,950 (US\$ 10,000) to the other members of the Committees; ₹ 1,339,900 (US\$ 20,000) to the Lead Independent Director; ₹ 334,975 (US\$ 5,000) variable fee per meeting based on the attendance at the Board meeting to every Non-Executive Director. Other than the above, a specific amount of ₹ 100,493 (US\$ 1,500) per meeting was paid towards foreign travel to the Directors.

<sup>(2)</sup> Perquisites include medical reimbursement for self and family according to the rules of the Company, leave travel assistance, personal accident insurance, Company's vehicle with driver for official use, telephone at residence and mobile phone, contribution to Provident Fund and Superannuation Scheme. All these benefits are fixed in nature.

<sup>(3)</sup> Remuneration for part of the year, the term as an Independent Director ended on 31 July 2015.

<sup>(4)</sup> Apart from receiving the above remuneration, the Non-Executive Directors do not have any pecuniary relationship or transaction with the Company.



and employees, its subsidiaries and affiliates. It is the responsibility of all Directors and employees to familiarize themselves with this Code and comply with its standards. The Board and the senior management across the globe annually affirm compliance with the Code. A certificate of the Co-Chairman, Managing Director and CEO of the Company to this effect is enclosed as **Exhibit 1** to this chapter.

The Company has formulated an Ombudsperson procedure (Whistle-Blower or Vigil Mechanism) under this Code to report concerns on actual or suspected violations of the Code, which:

- a) describes the Ombudsperson framework;
- b) takes into account procedures for investigation and communication of any report on any violation or suspected violation of the Code;
- c) accepts appeal against any decision; and
- d) encourages the submission of complaint against any retaliation.

The Code of Business Conduct and Ethics and Ombudsperson procedure (whistle-blower policy) is available on the Company's website [www.drreddys.com/media/211046/cobe\\_booklet.pdf](http://www.drreddys.com/media/211046/cobe_booklet.pdf)

An Independent Director is the Ombudsperson. The complaints and reports submitted to the Company and their resolution status are reported through the Ombudsperson to the Audit Committee and, where applicable, to the Board. During FY2016, no person has been denied access to the Audit Committee.

### RELATED PARTY TRANSACTIONS

The Company has adequate procedures for purpose of identification and monitoring of related party transactions. All transactions entered into with related parties during the financial year were in the ordinary course of business and on arm's length pricing basis. There were no transactions with related parties during the financial year which were in conflict with the interest of the Company.

All related party transactions are periodically placed before the Audit Committee and the Board for review and approval, as appropriate. The details of related party transactions are discussed in detail in note 2.27 to the standalone financial statements.

The Company has formulated a policy on materiality of related party transactions and dealing with related party transactions which is available on the Company's website [www.drreddys.com/investor/governance/policies-and-documents/policy-materiality-related-party-transactions.html](http://www.drreddys.com/investor/governance/policies-and-documents/policy-materiality-related-party-transactions.html)

### SUBSIDIARY COMPANIES

The Audit Committee reviews the financial statements of the subsidiary companies. It also reviews, the investments made by the subsidiary companies, statement of all significant transactions and arrangements entered into by the subsidiary companies and the status of compliances by the respective subsidiary companies, on a periodic basis.

The minutes of the Board meetings of the subsidiary companies are placed before the Board of the Company for its review.

The Company has formulated a policy for determining material subsidiaries and it is available on the Company's website [www.drreddys.com/investor/governance/policies-and-documents/policy-determining-material-subsidiaries.html](http://www.drreddys.com/investor/governance/policies-and-documents/policy-determining-material-subsidiaries.html)

None of the Indian subsidiaries of the Company comes under the purview of the term 'material non-listed Indian subsidiary' as defined under Regulation 24 of the Listing Regulations.

### DISCLOSURE ON ACCOUNTING TREATMENT

In the preparation of financial statements for FY2016, there is no treatment of any transaction different from that prescribed in the Accounting Standards notified by the Government of India under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014; guidelines issued by the Securities and Exchange Board of India and other accounting principles generally accepted in India.

### COMMITTEES OF THE BOARD

The Board Committees focus on specific areas and make informed decisions within the authority delegated. Each Committee is guided by its Charter, which defines the composition, scope and powers. The Committees also make specific recommendations to the Board on various matters whenever required. All observations, recommendations and decisions of the Committees are placed before the Board for information or for approval.

Dr. Reddy's has eight Board-level Committees, namely:

- Audit Committee
- Nomination, Governance and Compensation Committee
- Science, Technology and Operations Committee
- Risk Management Committee
- Stakeholders Relationship Committee
- Corporate Social Responsibility Committee
- Investment Committee
- Management Committee

### AUDIT COMMITTEE

The management is responsible for the Company's internal controls and the financial reporting process while the statutory auditors are responsible for performing independent audits of the Company's financial statements in accordance with generally accepted auditing practices and for issuing reports based on such audits.

The Board of Directors has entrusted the Audit Committee with the responsibility to supervise these processes and thus ensure accurate and timely disclosures that maintain the transparency, integrity and quality of financial control and reporting.

The primary functions of the Audit Committee are to:

- Supervise the financial reporting process.
- Review the quarterly and annual financial results before placing them to the Board along with the related disclosures and filing requirements.
- Review the adequacy of internal controls in the Company, including the plan, scope and performance of the internal audit function.
- Discuss with management, the Company's major policies with respect to risk assessment and risk management.
- Hold discussions with statutory auditors on the nature, scope and process of audits and any views that they have about the financial control and reporting processes.
- Ensure compliance with accounting standards and with listing requirements with respect to the financial statements.
- Recommend the appointment and removal of external auditors and their remuneration.

- Recommend the appointment of cost auditors.
- Review the independence of auditors.
- Ensure that adequate safeguards have been taken for legal compliance for both the Company and its other Indian as well as foreign subsidiaries.
- Review the financial statements, in particular, investments made by all the subsidiary companies.
- Review and approval of related party transactions.
- Review the functioning of whistle-blower mechanism.
- Review the implementation of applicable provisions of the Sarbanes-Oxley Act, 2002.
- Scrutiny of inter-corporate loans and investments.
- Valuation of undertakings or assets of the Company, wherever it is necessary.
- Evaluation of internal financial controls.
- Review the suspected fraud as committed against the Company.

The Audit Committee entirely comprises of Independent Directors. All members are financially literate and bring in expertise in the fields of finance, economics, human resource development, strategy and management. The Committee comprises of Mr. Sridar Iyengar (Chairman), Mr. Ravi Bhoothalingam, Ms. Kalpana Morparia, Dr. Omkar Goswami and Mr. Bharat Narotam Doshi (effective 11 May, 2016).

The Audit Committee met five times during the year on: 9 April 2015, 11 May 2015, 30 July 2015, 29 October 2015 and 8 February 2016. It also met the key members of finance team and internal audit team along with the Chairman and the CFO to discuss matters relating to audit, assurance and accounting.

During the year, the Committee also met statutory auditors without the presence of the management. In addition, the Chairman of the Audit Committee and other members met to review other processes, particularly the internal control mechanisms to prepare for certification under Section 404 of the Sarbanes-Oxley Act, 2002, and subsidiary governance oversight.

The Company is in compliance with the provisions of the Regulation 18 of the

Listing Regulations, as amended, on the time gap between any two Audit Committee meetings. **Table 5** gives the composition and attendance record of the Audit Committee.

The Chairman, the CFO and the Chief Internal Auditor are permanent invitees to all the Audit Committee meetings. The statutory auditors of the Company are also present in the Audit Committee meetings during the year. The Company Secretary officiates as the Secretary of the Committee.

Audit Committee meetings are generally preceded by pre-Audit Committee conference calls with the Committee members, the CFO, the internal audit and compliance teams, the external auditors and other key finance personnel from the Company. During these calls major audit related matters are discussed and items that need further face-to-face discussion at the Audit Committee meetings are identified.

The internal and statutory auditors of the Company discuss their audit findings and updates with the Audit Committee and submit their views directly to the Committee. Separate discussions are held with the internal auditors to focus on compliance issues and to conduct detailed reviews of the processes and internal controls in the Company. The permissible non-audit related services undertaken by the statutory auditors are also pre-approved by the Committee.

The report of the Audit Committee is enclosed as **Exhibit 2** to this chapter.

### **NOMINATION, GOVERNANCE AND COMPENSATION COMMITTEE**

The Nomination, Governance and Compensation Committee entirely comprises of Independent Directors. The primary functions of the Committee are to:

- Examine the structure, composition and functioning of the Board, and recommend changes, as necessary, to improve the Board's effectiveness.
- Formulate policies on remuneration of Directors, KMPs and other employees and on Board diversity.
- Formulate criteria for evaluation of Independent Directors and the Board.
- Assess the Company's policies and processes in key areas of corporate governance, other than those

explicitly assigned to other Board Committees, with a view to ensure that the Company is at the forefront of good governance practices.

- Regularly examine ways to strengthen the Company's organisational health, by improving the hiring, retention, motivation, development, deployment and behavior of management and other employees. In this context, the Committee also reviews the framework and processes for motivating and rewarding performance at all levels of the organisation, reviews the resulting compensation awards, and makes appropriate proposals for Board approval. In particular, it recommends all forms of compensation to be granted to the Executive Directors, KMPs and senior management of the Company.

The head of Human Resources (HR) makes periodic presentations to the Committee on organisation structure, talent management, leadership, succession, diversity, performance appraisals, increments, performance bonus recommendations and other HR matters.

The Nomination, Governance and Compensation Committee met three times during the year on: 11 May 2015, 29 October 2015 and 8 February 2016. The Co-Chairman, Managing Director and CEO is a permanent invitee to all Nomination, Governance and Compensation Committee meetings. The head of HR is the Secretary of the Committee.

**Table 6** gives the composition and attendance record of the Nomination, Governance and Compensation Committee. The report of this Committee is enclosed as **Exhibit 3** to this chapter.

### **SCIENCE, TECHNOLOGY AND OPERATIONS COMMITTEE**

The Science, Technology and Operations Committee of the Board entirely comprises of Independent Directors. Its primary functions are to:

- Advise the Board and management on scientific, medical and technical matters and operations involving the Company's development and discovery programs (generic and proprietary), including major internal projects, business

development opportunities, interaction with academic and other outside research organisations.

- Assist the Board and management to stay abreast of novel scientific and technologies developments and innovations and anticipate emerging concepts and trends in therapeutic research and development, and be assured that the Company makes well-informed choices in committing its resources.
- Assist the Board and the management in creation of valuable Intellectual Property (IP).
- Review the status of non-infringement patent challenges.
- Assist the Board and the management in building and nurturing science in the organisation in line with the Company's business strategy.

The Co-Chairman, Managing Director and CEO is a permanent invitee to all Science, Technology and Operations Committee meetings. Officials heading IPDO, Proprietary Products and Biologics are secretaries of the Committee with regard to their respective business.

The Committee met four times during the year on: 11 May 2015, 30 July 2015, 29 October 2015 and 8 February 2016.

**Table 7** gives the composition and attendance record of the Committee. The report of the Committee is enclosed as **Exhibit 4** to this chapter.

### RISK MANAGEMENT COMMITTEE

The Risk Management Committee of the Board entirely comprises of

Independent Directors. Its primary functions are to:

- Discuss with senior management the Company's Enterprise Risk Management (ERM) and provide oversight as may be needed.
- Ensure that it is apprised of the more significant risks along with the action, management is taking and how it is ensuring effective ERM.
- Review risk disclosure statements in any public documents or disclosures, where applicable.

The Chairman and Chief Operating Officer are permanent invitees to all Risk Management Committee meetings. The CFO acts as Secretary of the Committee. The Committee met thrice during the year on: 11 May 2015, 29 October 2015 and 8 February 2016.

**Table 8** gives the composition and attendance record of the Committee. The report of the Committee is enclosed as **Exhibit 5** to this chapter.

### STAKEHOLDERS RELATIONSHIP COMMITTEE

The Board of Directors in their meeting held on 13 May 2014 has changed the nomenclature of the 'Shareholders Grievance Committee' as the 'Stakeholders Relationship Committee', in terms of the provisions of Section 178 of the Companies Act, 2013 and the Regulation 20 of the Listing Regulations.

The Stakeholders Relationship Committee is empowered to perform the functions of the Board relating to handling of security holders queries and grievances. It primarily focuses on:

- Investor complaints and their redressal.
- Review of queries received from investors.
- Review of work done by the share transfer agent.
- Review of corporate actions related to security holders .

The Stakeholders Relationship Committee consists of four Directors, including two Executive Directors. The Chairperson of the Committee is an Independent Director. The Committee met four times during the year on: 11 May 2015, 30 July 2015, 29 October 2015 and 8 February 2016. The report of the Committee is enclosed as **Exhibit 6** to this chapter.

**Table 9** gives the composition and attendance record of the Committee.

The Company Secretary officiates as the Secretary of the Committee and is also designated as Compliance Officer in terms of the Listing Regulations. An analysis of investor queries and complaints received during the year and disposed is given in this annual report in the chapter on *Additional Shareholders' Information*.

### CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

The Committee consists of three Directors, including two Executive Directors. The Chairman of the Committee is an Independent Director. The CSR Committee is empowered to perform the functions of the Board relating to the social initiatives of the Company.

Its primary functions are to:

- Formulate, review and recommend to the Board, a CSR policy indicating the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013.
- Recommend the amount of expenditure to be incurred on the initiatives as per the CSR policy.
- Provide guidance on various CSR initiatives undertaken by the Company and monitoring their progress.
- Monitor implementation and adherence to the CSR Policy of the Company from time to time.

The CSR Committee formulated and recommended the CSR policy to the Board, during FY2015. The Committee

TABLE 5 AUDIT COMMITTEE MEMBERSHIP AND ATTENDANCE DURING FY2016				
COMMITTEE MEMBERS	POSITION	MEETINGS HELD	MEETINGS ATTENDED	
Mr. Sridar Iyengar	Chairman	5	5	
Mr. Ravi Bhoothalingam	Member	5	4 <sup>(1)</sup>	
Ms. Kalpana Morparia	Member	5	5	
Dr. Omkar Goswami	Member	5	4 <sup>(1)</sup>	

<sup>(1)</sup> Were given leave of absence on request.

TABLE 6 NOMINATION, GOVERNANCE AND COMPENSATION COMMITTEE MEMBERSHIP AND ATTENDANCE DURING FY2016				
COMMITTEE MEMBERS	POSITION	MEETINGS HELD	MEETINGS ATTENDED	
Dr. Ashok S Ganguly	Chairman	3	3	
Mr. Anupam Puri	Member	3	3	
Mr. Ravi Bhoothalingam	Member	3	3	
Ms. Kalpana Morparia	Member	3	3	



met three times during the year on: 27 April 2015, 18 August 2015 and 21 January 2016. The report of the Committee is enclosed as **Exhibit 7** to this chapter.

**Table 10** gives the composition and attendance record of the Committee.

The Head of CSR officiates as the Secretary of the Committee.

**INVESTMENT COMMITTEE**

The Investment Committee reviews the Company's capital investment proposals and ongoing projects. It also approves capital expenditure proposals and investment/loans to wholly owned subsidiaries up to an overall limit of ₹ 250 crores each. It comprises of three Directors, including two Executive Directors. The Company Secretary officiates as the Secretary of the Committee.

The Committee met three times during the year on: 12 May 2015, 18 August 2015 and 21 January 2016. All the members of the Committee participated in all the meetings.

**MANAGEMENT COMMITTEE**

The role of Management Committee is to authorize Directors and officers of the Company to deal with day-to-day business operations such as banking, treasury, insurance, excise, customs, administration and dealing with other government/non-government authorities. The Committee consists of three Directors including one

Independent Director, with the Chairman being an Executive Director. The Committee met five times during the year on: 9 April 2015, 12 May 2015, 30 July 2015, 29 October 2015 and 9 February 2016. The Company Secretary officiates as the Secretary of the Committee.

**MANAGEMENT**

The management of Dr. Reddy's develops and implements policies, procedures and practices that attempt to translate the Company's core purpose and mission into reality. It also identifies, measures, monitors and minimizes risk factors in the business and ensures safe, sound and efficient operation. These are internally supervised and monitored through the Management Council.

**MANAGEMENT COUNCIL**

Dr. Reddy's Management Council consists of senior management members from the business and corporate functions. Page 26-27 of this annual report gives details of the members of the Management Council.

Apart from monthly meetings, the Council meets once in a quarter for two-days sessions. Background notes for the meetings are circulated in advance to facilitate decision-making. Listed below are some of the key issues that were considered by the Management Council during the year under review:

- Company's long-term strategy, growth initiatives and priorities.

- Overall Company performance, including those of various business units.
- Decision on major corporate policies.
- Discussion and sign-off on annual plans, budgets, investments and other major initiatives.
- Discussion on business alliances proposals and organisational design.

**MANAGEMENT DISCUSSION AND ANALYSIS**

This chapter of the annual report constitutes the Company's *Management Discussion and Analysis*.

**MANAGEMENT DISCLOSURES**

Senior management of the Company (Senior Director level and above, as well as certain identified key employees) make annual disclosures to the Board relating to all material financial and commercial transactions in which they may have personal interest, if any, and which may have a potential conflict with the interest of the Company. Transactions with Key Managerial Personnel are listed in the financial section of this annual report under Related Party Transactions.

**PROHIBITION OF INSIDER TRADING**

The Company has a policy prohibiting Insider Trading, in conformity with applicable regulations of the SEBI in India and the Securities and Exchange Commission (SEC) in the USA. Necessary procedures have been laid down for Directors, officers and employees for trading in the securities of the Company. The policy, procedures and their obligations are periodically communicated to the employees who are considered as insiders of the Company. Trading window closure/blackout/quiet periods, when the Directors and employees are not permitted to trade in the securities of the Company, are intimated to all Directors and employees, in advance, whenever required.

**INTERNAL CONTROL SYSTEMS**

Dr. Reddy's has both external and internal audit systems in place. Auditors have access to all records and information of the Company. The Board recognizes the work of the auditors as an independent check on the information received from the management on the operations and

TABLE 7 SCIENCE, TECHNOLOGY AND OPERATIONS COMMITTEE MEMBERSHIP AND ATTENDANCE DURING FY2016			
COMMITTEE MEMBERS	POSITION	MEETINGS HELD IN DIRECTOR'S TENURE	MEETINGS ATTENDED
Dr. Bruce L A Carter	Chairman	4	4
Dr. Ashok S Ganguly	Member	4	4
Mr. Anupam Puri	Member	4	4
Dr. J P Moreau*	Member	2	2

\* Term ended on 31 July 2015 as an Independent Director.

TABLE 8 RISK MANAGEMENT COMMITTEE MEMBERSHIP AND ATTENDANCE DURING FY2016			
COMMITTEE MEMBERS	POSITION	MEETINGS HELD IN DIRECTOR'S TENURE	MEETINGS ATTENDED
Dr. Omkar Goswami	Chairman	3	3
Dr. Bruce L A Carter	Member	3	3
Dr. J P Moreau*	Member	1	1
Mr. Sridar Iyengar	Member	3	3

\* Term ended on 31 July 2015 as an Independent Director.

performance of the Company. The Board and the management periodically review the findings and recommendations of the statutory and internal auditors and takes corrective actions, whenever necessary.

### INTERNAL CONTROLS

The Company maintains a system of internal controls designed to provide reasonable assurance regarding:

- Effectiveness and efficiency of operations.
- Adequacy of safeguards for assets.
- Reliability of financial controls.
- Compliance with applicable laws and regulations.

The integrity and reliability of the internal control systems are achieved through clear policies and procedures, process automation, careful selection, training and development of employees and an organisation structure that segregates responsibilities. Internal Audit at Dr. Reddy's is an independent and objective assurance function, responsible for evaluating and improving the effectiveness of risk management, control and governance processes. The internal audit team prepares annual audit plans based on risk assessment and conducts extensive reviews covering financial, operational and compliance controls and risk mitigation. Areas requiring specialized knowledge are reviewed in partnership with external experts. Suggested improvement in processes are identified during reviews and communicated to the management on an on-going basis.

The Audit Committee of the Board monitors the performance of internal audit

department on a periodic basis through review of audit plans, audit findings and speed of issue resolution through follow-ups. Each year, there are at least four meetings in which the Audit Committee reviews internal audit findings. Additionally, the Audit Committee Chairman also met the Chief Internal Auditor, without presence of management.

### CEO AND CFO CERTIFICATION

A certificate of the Co-Chairman Managing Director and Chief Executive Officer as well as the Chief Financial Officer of the Company on financial statements and applicable internal controls as stipulated under Regulation 17(8) of the Listing Regulations is enclosed as **Exhibit 8** to this chapter.

### STATUTORY AND IFRS AUDITS

For FY2016, M/s. B S R & Co. LLP, Chartered Accountants, audited the financial statements prepared under the Indian GAAP. The Company had appointed KPMG as independent auditors for issuing opinion on the financial statements prepared under IFRS.

The independent statutory and IFRS auditors render an opinion regarding the fair presentation in the financial statements of the Company's financial condition and operating results. Their audits are made in accordance with generally accepted auditing standards and include a review of the internal controls, to the extent necessary, to determine the audit procedures required to support their opinion.

While auditing the operations of the Company, the external auditors

recorded their observations and findings with the management. These were then discussed by the management and the auditors at the Audit Committee meetings as well as through conference calls with members of the Audit Committee. Remedial measures suggested by the auditors and the Audit Committee have been either implemented or taken up for implementation by the management.

### AUDITORS' FEES

During FY2016, the Company paid ₹ 10.46 million to M/s. B S R & Co. LLP, Chartered Accountants, the statutory auditors as audit fees. The Company also paid ₹ 2.00 million to M/s. B S R & Co. LLP, Chartered Accountants as fees for non-audit services performed by them.

### SHAREHOLDERS MEANS OF COMMUNICATION

- 1. QUARTERLY AND ANNUAL RESULTS:** Quarterly and annual results of the Company are published in widely circulated national newspapers such as The Business Standard and the local vernacular daily, Andhra Prabha. These are also disseminated internationally through Business Wire and made available on corporate website [www.drreddys.com](http://www.drreddys.com). The financial results are generally also communicated to the shareholders through their registered email addresses.
- 2. NEWS RELEASES, PRESENTATIONS, ETC.:** The Company has established systems and procedures to disseminate relevant information to its stakeholders, including shareholders, analysts, suppliers, customers, employees and the society at large. It also conducts earning calls with analysts and investors. An analysis of the various means of dissemination of information during the year under review is produced in **Table 11**.
- 3. WEBSITE:** The primary source of information regarding the operations of the Company is the corporate website [www.drreddys.com](http://www.drreddys.com). All official news releases and presentations made to institutional investors and analysts are posted here. It contains a separate

TABLE 9 STAKEHOLDERS RELATIONSHIP COMMITTEE MEMBERSHIP AND ATTENDANCE DURING FY2016			
COMMITTEE MEMBERS	POSITION	MEETINGS HELD	MEETINGS ATTENDED
Ms. Kalpana Morparia	Chairperson	4	4
Mr. Ravi Bhoothalingam	Member	4	4
Mr. G V Prasad	Member	4	4
Mr. K Satish Reddy	Member	4	4

TABLE 10 CORPORATE SOCIAL RESPONSIBILITY COMMITTEE MEMBERSHIP AND ATTENDANCE DURING FY2016			
COMMITTEE MEMBERS	POSITION	MEETINGS HELD	MEETINGS ATTENDED
Mr. Ravi Bhoothalingam	Chairman	3	3
Mr. K Satish Reddy	Member	3	3
Mr. G V Prasad	Member	3	2 <sup>(1)</sup>

<sup>(1)</sup> Was given leave of absence on request.

dedicated investors section where the information for shareholders are available. The webcast of the proceedings of the Annual General Meeting is also made available on the website. In addition, the Company maintains various portals such as [www.customer2drl.com](http://www.customer2drl.com) and [www.vikreta2drl.com](http://www.vikreta2drl.com) which have proved to be effective and widely appreciated tools for information dissemination.

- 4. ANNUAL REPORT:** The Company's annual report containing, *inter alia*, the Boards' Report, Corporate Governance Report, Business Responsibility Report, Management Discussion and Analysis (MD&A) Report, Audited Standalone and Consolidated Financial Statements, Auditors' Report and other important information is circulated to shareholders and others so entitled. The annual report is also available on the website in a user-friendly and downloadable form.
- 5. CHAIRMAN'S SPEECH:** Webcast of the speech is made available on the Company's website.
- 6. REMINDER TO INVESTORS:** Reminders to encash the unclaimed dividend on shares or debenture redemption/interest are sent to the relevant shareholders and debenture holders.
- 7. COMPLIANCES WITH STOCK EXCHANGES:** National Stock Exchange of India Ltd. (NSE) and BSE Ltd. (BSE) maintain separate online portals for electronic submission of information by listed companies. Various communications such as notices, press releases and the regular quarterly, half-yearly and annual compliances and disclosures are filed electronically on these online portals. In addition, such disclosures and communications are also sent to the NYSE.

- 8. DESIGNATED EXCLUSIVE EMAIL-ID:** In terms of Regulation 6(2)(d) of the Listing Regulations, Dr. Reddy's has designated an email-id exclusively for investor service: [shares@drreddys.com](mailto:shares@drreddys.com)
- 9. REGISTER TO RECEIVE ELECTRONIC COMMUNICATIONS:** The Company has provided an option to the shareholders to register their email-id through the Company's website to receive electronic communications. Shareholders who wish to receive electronic communications from Dr. Reddy's may register at [www.drreddys.com/investors/investor-services/shareholder-information.aspx](http://www.drreddys.com/investors/investor-services/shareholder-information.aspx)
- 10. DISCLOSURES:** The Company has also formulated the Policy on Determination of Materiality for disclosure of certain events and Document Retention Policy.

**ADDITIONAL INFORMATION IN TERMS OF REGULATION 36(3) OF THE LISTING REGULATIONS, ON DIRECTORS SEEKING RE-APPOINTMENT AND APPOINTMENT OF DIRECTORS AT THE ENSUING ANNUAL GENERAL MEETING**  
**MR. K SATISH REDDY**

Mr. K Satish Reddy (aged 49 years) graduated in Chemical Engineering from Osmania University, India, in 1988 and went on to receive an M.S. in Medical Chemistry from Purdue University, USA, in 1990. He joined Dr. Reddy's in 1993 as Executive Director responsible for manufacturing and new product development. In 1997, he was appointed Managing Director. In the mid-90s, as the Company prepared for its global foray, Satish anchored the establishment of key systems and initiatives that positioned Dr. Reddy's for rapid expansion and helped to build its brand and corporate identity.

Mr. Reddy played an instrumental role in the Company's transition from a bulk drugs manufacturer to a global player in the branded space by spearheading Company's entry into emerging markets internationally. He is focused on translating Dr. Reddy's strategy into action to drive its growth and performance globally.

Mr. K Satish Reddy was re-appointed as Whole-time Director designated as Managing Director and COO for a further period of 5 years commencing 1 October 2012. Following the demise of Dr. K Anji Reddy, he was re-designated as Vice-Chairman and Managing Director effective 30 March 2013 and has been subsequently re-designated as the Chairman of the Company effective 13 May 2014.

He is also a Director on the Boards of: Green Park Hotels and Resorts Limited, Stamlo Hotels Limited, Dr. Reddy's Holdings Limited, Araku Originals Limited, Cipro Estates Private Limited, KAR Therapeutics & Estates Private Limited, Quin Estates Private Limited, Satish Reddy Estates Private Limited, Molecular Connections Private Limited, Dr. Reddy's Trust Services Private Limited, Dr. Reddy's Research Foundation, Dr. Reddy's Institute of Life Sciences and Company's wholly owned subsidiaries, Aurigene Discovery Technologies Limited, Dr. Reddy's Bio-Sciences Limited and Idea2Enterprises (India) Private Limited.

Apart from the Committee chairmanship or memberships in Dr. Reddy's, he is not a chairman or member of any Committee in any other Public Limited Company.

Mr. Reddy holds 1,205,832 equity shares in the Company.

Except Mr. G V Prasad and Mr. K Satish Reddy, none of the other Directors and Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the proposal of Mr. Reddy's re-appointment (retiring by rotation) at the ensuing Annual General Meeting.

**MR. G V PRASAD**

Mr. G V Prasad (aged 55 years) leads the core team that drives the growth and performance of at Dr. Reddy's and has contributed significantly to its transformation from a mid-sized domestic

**TABLE 11 | DETAILS OF COMMUNICATION MADE DURING FY2016**

MEANS OF COMMUNICATION	FREQUENCY
Press releases/statements	32
Earnings calls	4
Special conference call	1
Publication of results	4



operation into a global pharmaceutical major. Mr. Prasad is widely credited as the architect of Dr. Reddy's successful Global Generics and Active Pharmaceutical Ingredient (API) strategies, as well as Company's foray into Biosimilars and Differentiated Formulations. He envisioned new business platforms and is dedicated to foster innovation in every aspect of the business. He was declared India's Best CEO in the Large Company category by Business Today in 2014, and India Business Leader of the Year by CNBC Asia in 2015.

Mr. Prasad joined Company's Board in 1986 and became Vice-Chairman and CEO in 2001, when Cheminor Drugs Limited, a company of which he was then Managing Director, merged with Dr. Reddy's. Mr. Prasad was re-appointed as Whole-time Director, designated as Vice-Chairman and CEO of the Company, at the 27th Annual General Meeting of the shareholders held on 21 July 2011, for a period of five years ending 29 January 2016. Following the demise of Dr. K Anji Reddy, he was designated as Chairman and CEO effective 30 March 2013 and has been subsequently re-designated as the Co-Chairman, Managing Director and CEO of the Company effective from 13 May 2014.

As a part of the initiative to create enduring guidance for the Company, the Board of Directors of the Company, at their meeting held on 29 October 2015, had approved the re-appointment of Mr. G V Prasad as Whole-time Director designated as Co-Chairman, Managing Director and CEO of the Company for a further period of five years commencing 30 January 2016.

He has a Bachelor's degree in Chemical Engineering from Illinois Institute of Technology, Chicago, United States of America, and an M.S. in Industrial Administration from Purdue University, Indiana, United States of America. He is also an active member of several associations including the National Committee on Drugs and Pharmaceuticals.

He is also a Director on the Boards of: Green Park Hotels and Resorts Limited, Stamlo Hotels Limited, Dr. Reddy's Holdings Limited, Molecular Connections Private Limited, Vijaya Productions Private Limited, Dr. Reddy's Trust Services Private Limited, Dr. Reddy's

Research Foundation, Dr. Reddy's Institute of Life Sciences, International Foundation for Research and Education, Indian School of Business and Company's wholly owned subsidiaries, Aurigene Discovery Technologies Limited and Idea2Enterprises (India) Private Limited.

Apart from the Committee memberships in Dr. Reddy's, he is also a member of Nomination and Remuneration Committee and Corporate Social Responsibility Committee of Aurigene Discovery Technologies Limited.

Mr. G V Prasad holds 1,365,840 equity shares in the Company.

Except Mr. G V Prasad, Mr. K Satish Reddy and their relatives, none of the other Directors/Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the proposal of Mr. Prasad's re-appointment at the ensuing Annual General Meeting.

#### **MR. BHARAT NAROTAM DOSHI**

Mr. Bharat Narotam Doshi (aged 66 years) is a Fellow Member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India and holds a Master's degree in Law from Bombay University. He is an alumnus of Harvard Business School (PMD) and Fellow of the Salzburg Seminar on 'Asian Economies: Regional and Global Relationships'.

Mr. Doshi is a former Executive Director and Group CFO of Mahindra & Mahindra Limited, the flagship company of the Mahindra Group. He was also the Chairman of Mahindra & Mahindra Financial Services Limited since April 2008 and he stepped down from this position on his nomination as director on the Central Board of Directors of the Reserve Bank of India in March 2016.

Mr. Doshi is also on the Governing Board of the Mahindra United World College of India, K.C. Mahindra Education Trust and Mahindra Foundation. He is on the Board of Gateway House: Indian Council on Global Relations, a foreign policy think tank in Mumbai.

Over the last 35 years, Mr. Doshi has been actively involved with various Chambers of Commerce and Industry. He served as the President of Bombay Chamber of Commerce and Industry for the year 2009-10.

He was a member of the High Powered Expert Committee constituted by the Ministry of Finance, Government of India, on making Mumbai an International Financial Centre. He was a member of Reserve Bank of India (RBI) constituted working group to examine a range of emerging issues pertaining to regulation of the Non-Banking Financial Companies (NBFC) sector and was also a member of the RBI constituted Committee on Comprehensive Financial Services for Small Businesses and Low-Income Households (CCFS). He was a member of the SEBI Committee on Disclosures and Accounting Standards (SCODA). He currently serves on the Advisory Board of Excellence Enablers, an organisation committed to promoting corporate governance in India.

Mr. Doshi's career achievements have earned him several awards and accolades, including being adjudged 'India's Best CFO' by Business Today, 'CFO of the Year' by IMA India in 2005 and in 2007 by CNBC and induction by 'CFO India' as a Founding Member to the CFO Hall of Fame in recognition of an exemplary career and a lifetime of contribution to the field of finance.

He is the Chairman of Mahindra Intertrade Limited. He is also a Director on the Board of Mahindra Holdings Limited. He is also an Independent Director of Godrej Consumer Products Limited.

Apart from the Committee memberships in Dr. Reddy's, he is also a member of Nomination and Remuneration Committee of Mahindra Holdings Limited, Mahindra Intertrade Limited and Godrej Consumer Products Limited, Loans and Investments Committee of Mahindra Holdings Limited and Chairman of Audit Committee of Godrej Consumer Products Limited.

Mr. Bharat Narotam Doshi holds 1,000 equity shares in the Company.

Except Mr. Bharat Narotam Doshi and his relatives, none of the other Directors/Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the proposal of Mr. Doshi's appointment as Independent Director of the Company at the ensuing Annual General Meeting.

**MR. HANS PETER HASLER**

Mr. Hans Peter Hasler (aged 60 years) is the Principal of HPH Management GmbH, Küsnacht, Switzerland, the Chairman of HBM Healthcare Investments AG in Zug since June 2009 and Founder of Vicarius Pharma Limited AG, in Switzerland. He is also the Chairman of the Board of Medical Imaging Analysis Center (MIAC) of the University Hospital, Basel, a non-profit organisation, since December 2012 and a Director on the Board of Patheon Inc., USA and AOP Orphan Pharmaceuticals, Austria.

Mr. Hasler holds a Federal Swiss Commercial Diploma from Canton of Bern, Switzerland (Kaufmann) and Diploma in Business Management from Swiss Institute of Business, Zurich.

Mr. Hasler is an experienced Pharma and Biotech Executive and has an international track record and in-depth operational, commercial and general management expertise. He also acts as top-level advisor to the life-science industry. In his career, he has managed the growth of leading players in the pharmaceutical industry and successfully launched several blockbuster drugs.

He was the Chief Operating Officer of Biogen Idec Inc., Cambridge/USA between 2001 and mid-2009. He also spearheaded various leadership positions in an executive role including Head of Biogen's International Business.

Between 1993 and 2001, he held various positions in Wyeth such as Managing Director of Wyeth (Switzerland, Austria and Eastern Central Europe); Managing Director of Wyeth Group (Germany) and Senior Vice President of Global Marketing and Chief Marketing Officer at Wyeth's Headquarters in Philadelphia/USA.

He is also the Chairman of Remuneration Committee of HBM Healthcare Investments AG and a member of Audit Committee of Patheon Inc., USA.

Mr. Hasler does not hold any equity shares in the Company.

Except Mr. Hans Peter Hasler and his relatives, none of the other Directors/Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the proposal of Mr. Hasler's appointment as

Independent Director of the Company at the ensuing Annual General Meeting.

**COMPLIANCE REPORT ON THE NYSE CORPORATE GOVERNANCE GUIDELINES**

Pursuant to Section 303A.11 of the NYSE Listed Company Manual, Dr. Reddy's which is a foreign private issuer as defined by SEC, must make its US investors aware of the significant ways in which the corporate governance practices differ from those required of domestic companies under NYSE listing standards. A detailed analysis of this is posted on the Company's website [www.drreddys.com](http://www.drreddys.com)

**COMPLIANCE REPORT ON DISCRETIONARY REQUIREMENTS UNDER REGULATION 27(1) OF LISTING REGULATIONS**

- 1. THE BOARD:** The Chairman of Dr. Reddy's is an Executive Director and maintains the Chairman's office at the Company's expenses for performance of his duties.
- 2. SHAREHOLDERS' RIGHTS:** The Company did not send half-yearly results to each household of the shareholders in FY2016. However, in addition to displaying its quarterly and half-yearly results on its website [www.drreddys.com](http://www.drreddys.com) and publishing in widely circulated newspapers, the quarterly financial results are generally sent to the registered e-mail addresses of the shareholders.
- 3. AUDIT QUALIFICATIONS:** The auditors have not qualified the financial statements of the Company.
- 4. SEPARATE POST OF CHAIRMAN AND CEO:** Dr. Reddy's is having separate post of Chairman and CEO, Mr. K Satish Reddy is the Chairman of the Company and Mr. G V Prasad is the Co-Chairman, Managing Director and CEO of the Company.
- 5. REPORTING OF INTERNAL AUDIT:** The Chief Internal Auditor regularly updates the Audit Committee on internal audit findings at the Audit Committee meetings.

**ADDITIONAL SHAREHOLDERS' INFORMATION**

The chapter on *Additional Shareholders' Information* forms a part of this annual report.

**ANNEXURE A  
REMUNERATION POLICY****I. CONTEXT**

The purpose of this Policy is to set over principles, parameters and Governance framework of the remuneration for Directors, KMPs, Senior Management Personnel and employees. This policy will assist the Board to fulfill its responsibility towards attracting, retaining and motivating the Directors, KMPs, Senior Management Personnel and employees through competitive and reasonable remuneration in line with the corporate and individual performance. This document outlines following policies/guidelines:

- A. Performance Evaluation of Directors
- B. Remuneration principles
- C. Board Diversity

**II. DEFINITIONS**

**"Board"** means Board of Directors of the Company.

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

**"Company"** means Dr. Reddy's Laboratories Limited.

**"Director"** means Directors of the Company.

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

**"Independent Director"** As provided under Clause 49 of the Listing Agreement and/or under the Companies Act, 2013, 'Independent Director' shall mean a Non-Executive Director, other than a Nominee Director of the Company:

- a) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
- b) (i) who is or was not a promoter of the Company or its holding, subsidiary or associate company;

- (ii) who is not related to promoters or directors in the Company, its holding, subsidiary or associate company;
- c) apart from receiving Director's remuneration, has or had no pecuniary relationship with the Company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
- d) none of whose relatives has or had pecuniary relationship or transaction with the Company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- e) who, neither himself nor any of his relatives –
- i. holds or has held the position of a key managerial personnel or is or has been employee of the Company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
  - ii. is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of a firm of auditors or company secretaries in practice or cost auditors of the Company or its holding, subsidiary or associate company; or any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;
  - iii. holds together with his relatives two per cent or more of the total voting power of the Company; or
- iv. is a Chief Executive or Director, by whatever name called, of any non-profit organisation that receives twenty five per cent or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the Company;
  - v. is a material supplier, service provider or customer or a lessor or lessee of the Company;
- f) who is not less than 21 years of age.
- “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 comprising all members of management one level below the executive directors, including the functional heads.
- Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 as may be amended from time to time shall have the meaning respectively assigned to them therein.

### III. APPLICABILITY

This policy is applicable to the following:

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

### IV. EVALUATION OF DIRECTORS

For the purpose of determining remuneration (based on profitability of the Company), the evaluation criteria of the Executive and Non-Executive Directors are as outlined below:

### 1) Executive Directors:

- a) Financial metrics covering growth in Return on Capital Employed (RoCE) and Profitability.
- b) Non-financial metrics covering aspects such as health, brand building, compliance, quality and sustainability of operations of the organisation, as may be agreed upon from time to time with the Company.

### 2) Non-Executive Directors:

- a) Level of engagement, independence of judgment, etc., and their contribution in enhancing the Board's overall effectiveness.
- b) The Non-Executive Directors remuneration shall be globally benchmarked with similar organisations.
- c) Participation in the Committees (either as Chairperson or member) and the Board meetings.

## V. REMUNERATION OF DIRECTORS, KMPs, SENIOR MANAGEMENT PERSONNEL AND OTHER EMPLOYEES

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

The level and composition of remuneration so determined by the Committee shall be reasonable and sufficient required to attract, retain and motivate Directors, KMPs and Senior Management in order to run the Company successfully. There shall be a clear linkage of remuneration to performance and health targets. The remuneration shall be a mix of fixed and variable pay/long-term pay reflecting short and long-term performance objectives appropriate to the working of the company and its strategic goals.

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

- 1) Executive Directors - The Executive Directors shall be paid remuneration by way of monthly compensation and profit based commission. The total remuneration to be paid to the Executive Directors shall be within the limits prescribed under the provisions of the Companies Act, 2013 and rules made thereunder.



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

The Chairman of the Company shall propose remuneration to be paid to Non-Executive Directors. The proposal for the remuneration shall be benchmarked with global pharmaceutical companies and the contribution made and time dedicated by each Director.

- 3) KMPs and Senior Management Personnel – Dr. Reddy's recognizes that those chosen to lead the organisation are vital to its ongoing success and growth. Thus, these executives should be offered competitive and reasonable compensation so that Dr. Reddy's can attract, retain and encourage critical talent to meet important organisational goals and strategies. The compensation will be the mix of fixed pay, variable pay, performance based incentive plans or stock options. The executive total compensation program will be flexible to differentiate pay to recognize an individual incumbents' critical skills, contributions, and future potential to impact the organisation's success.
- 4) Other employees – The compensation program for employees is designed to help drive performance culture and align employees for the creation of sustainable value through behaviors like execution excellence, innovation and leadership. In line with the organisation principles of managing the long term and meritocracy, there are four principles of pay which have been enumerated – ability to pay, position-linked pay, person-specific pay and performance-linked pay. 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 on any changes done for the entire organisation.

#### VI. BOARD DIVERSITY

Building a diverse and inclusive workplace is an integral part of Dr. Reddy's culture. These principles are also applied to the composition of our Board.

The Board of Directors shall have the optimum combination of Directors from different areas/fields of expertise and experience like Operations, Management, Quality Assurance, Finance, Sales and Marketing, Supply Chain, Research and Development, Human Resources etc., or as may be considered appropriate. The Board shall have at least one member who has accounting or related financial management expertise and at least three members who are financially literate.

At least one member of the Board should be a woman.

#### VII. CONFIDENTIALITY

The members of the 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.

#### VIII. 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.

#### EXHIBIT 1 DECLARATION OF THE CHIEF EXECUTIVE OFFICER ON COMPLIANCE WITH CODE OF BUSINESS CONDUCT AND ETHICS

Dr. Reddy's Laboratories Limited has adopted a Code of Business Conduct and Ethics ('the Code') which applies to all employees and Directors of the Company, its subsidiaries and affiliates. Under the Code, it is the responsibility of all employees and Directors to familiarize themselves with the Code and comply with its standards.

I hereby certify that the Board members and senior management personnel of

Dr. Reddy's have affirmed compliance with the Code of the Company for the financial year 2015-16.

#### G V Prasad

Co-Chairman, Managing Director and CEO

Place Hyderabad

Date 12 May 2016

#### EXHIBIT 2

#### REPORT OF THE AUDIT COMMITTEE

*To the shareholders of Dr. Reddy's Laboratories Limited*

The Audit Committee of the Board of Directors consists of five Directors. Each member is an Independent Director as defined under Indian laws, Listing Regulations and the New York Stock Exchange Corporate Governance Guidelines. The Committee operates under a written charter adopted by the Board of Directors, and has been vested with all the powers necessary to effectively discharge its responsibilities.

Dr. Reddy's management has primary responsibility for the financial statements and reporting process, including the systems of internal controls. During the year 2015-16, the Audit Committee met five times. It discussed with the Company's internal auditors and statutory auditors the scope and plans for their respective audits. It also discussed the results of their examination, their evaluation of the Company's internal controls, and overall quality of the Company's financial reporting.

In fulfilling its oversight responsibilities, the Committee reviewed and discussed the Company's quarterly unaudited and annual audited financial statements with the management. M/s. B S R & Co., LLP, Chartered Accountants, the Company's independent auditors for Indian GAAP, and KPMG, the Company's independent auditors for IFRS financial statements, are responsible for expressing their opinion on the conformity of the Company's audited financial statements with Generally Accepted Accounting Principles (GAAP).

Relying on the review and discussions with the management and the independent auditors, the Audit Committee believes that the Company's financial statements are fairly presented in conformity with Indian GAAP and the IFRS in all material aspects.

To ensure that the accounts of the Company are properly maintained and that accounting transactions are in accordance with the prevailing laws and regulations, the Committee reviewed the internal controls put in place by the Company and in conducting such reviews, the Committee found no material discrepancy or weakness in the Company's internal control systems.

In 2005-06, the Company became the first Indian manufacturing company to comply with Section 404 of the US Sarbanes-Oxley Act (SOX), in advance of the mandatory deadline of 31 March 2007, which was applicable to foreign private issuers.

During the year, the Committee also reviewed/approved the following:

- a) Non-audit services being provided by the Statutory Auditors and concluded that such services were not in conflict with the independence of the Statutory Auditors;
- b) Structure of Internal Audit function and Chief Internal Auditor's remuneration; and
- c) Related party transactions, as applicable.

The Committee ensures that the Company's Code of Business Conduct and Ethics has a mechanism such that no person intending to make a complaint relating to securities and financial reporting shall be denied access to the Audit Committee.

The Audit Committee has recommended to the Board of Directors:

1. That the audited standalone and consolidated financial statements prepared as per Indian GAAP of Dr. Reddy's Laboratories Limited for the year ended 31 March 2016, be accepted by the Board as a true and fair statement of the financial status of the Company.
2. That the financial statements prepared as per IFRS as issued by International Accounting Standards Board for the year ended 31 March 2016, be accepted by the Board and included in the Company's annual report on Form 20-F, to be filed with the US Securities and Exchange Commission.

In addition, the Committee has also recommended the following to the Board:

- Appointment of M/s. S R Batliboi & Associates LLP, Chartered

Accountants as statutory Independent auditors under Indian GAAP from the conclusion of the forthcoming AGM till conclusion of AGM in 2021;

- Re-appointment of KPMG, India as statutory Independent auditors for IFRS for the fiscal year ending 31 March 2017; and
- Appointment of secretarial auditor and cost auditor.

#### **Sridar Iyengar**

Chairman, Audit Committee

Place Hyderabad  
Date 11 May 2016

### **EXHIBIT 3 REPORT OF THE NOMINATION, GOVERNANCE AND COMPENSATION COMMITTEE**

*To the shareholders of Dr. Reddy's  
Laboratories Limited*

The Nomination, Governance and Compensation Committee of the Board of Directors consists of five Directors. Each member is an Independent Director as defined under Indian laws, Listing Regulations and the New York Stock Exchange Corporate Governance Guidelines. The Committee operates under a written charter adopted by the Board of Directors, and has been vested with all the powers necessary to effectively discharge its responsibilities.

The Committee's primary responsibilities are to:

- Periodically examine the structure, composition and functioning of the Board, and recommend changes, as necessary, to improve the Board's effectiveness and evaluation, including formulation of criteria for such evaluation;
- Formulate policies on remuneration of Directors, KMPs and other employees and on Board diversity;
- Assess the Company's policies and processes in key areas of corporate governance and the impact of related significant regulatory and statutory changes, if any, with a view that the Company is at the forefront of good corporate governance;
- Examine major aspects of the Company's organisational health, and recommend changes as necessary;

- Review and recommend the compensation and variable pay for Executive Directors to the Board;
- Establish, in consultation with the management, the compensation program for the Company, and recommend it to the Board for approval.

In that context:

- Establish annual Key Result Areas (KRAs) for the Executive Directors and oversee the evaluation of their achievement.
- Review, discuss and provide guidance to the management, on the KRAs for members of the Management Council, KMPs and their remuneration.
- Review the Company's ESOP Schemes and oversees administration of the ESOP Schemes.

As on 31 March 2016, the Company had 519,391 outstanding stock options, which amounts to 0.30% of total equity capital. These stock options are held by 743 employees of the Company and its subsidiaries under Dr. Reddy's Employees Stock Options Scheme, 2002 and Dr. Reddy's Employees ADR Stock Options Scheme, 2007. The total stock options are exercisable at par value i.e. ₹ 5/-.

The Committee also devoted considerable time discussing the organisation health, design, gender diversity, succession planning for critical positions within the Company and compensation for Key Managerial Personnel and senior management. It also monitors the Company's system for hiring, developing and retaining talent.

The Nomination, Governance and Compensation Committee also recommends to the Board, changes in committee structure and membership and other steps that would improve the Board's effectiveness in overseeing the Company.

#### **Dr. Ashok S Ganguly**

Chairman, Nomination, Governance and Compensation Committee

Place Hyderabad  
Date 11 May 2016

#### **EXHIBIT 4** **REPORT OF THE SCIENCE, TECHNOLOGY AND OPERATIONS COMMITTEE**

*To the shareholders of Dr. Reddy's  
Laboratories Limited*

The Science, Technology and Operations Committee of the Board of Directors consists of three Directors. Each member is an Independent Director as defined under Indian laws, Listing Regulations and the New York Stock Exchange Corporate Governance Guidelines. The Committee operates under a written charter adopted by the Board of Directors, and has been vested with all the powers necessary to effectively discharge its responsibilities.

The Committee's primary responsibilities are to:

- Advise the Board and management on scientific, medical and technical matters and operations involving the Company's development and discovery programs (generic and proprietary), including major internal projects, business development opportunities, interaction with academic and other outside research organisations;
- Assist the Board and management to stay abreast of novel scientific and technology developments and innovations and anticipate emerging concepts and trends in therapeutic research and development, to help assure the Company makes well-informed choices in committing its resources;
- Assist the Board and the management in creation of valuable Intellectual Property (IP);
- Review the status of non-infringement patent challenges; and
- Assist the Board and the management in building and nurturing science in the organisation in tune with its business strategy.

The Committee met four times during the financial year. The Science, Technology and Operations Committee appraised the Board on key discussions and recommendations made at the Committee meetings.

#### **Dr. Bruce L A Carter**

Chairman, Science, Technology and Operations Committee

Place Hyderabad  
Date 11 May 2016

#### **EXHIBIT 5** **REPORT OF THE RISK MANAGEMENT COMMITTEE**

*To the shareholders of Dr. Reddy's  
Laboratories Limited*

The Risk Management Committee of the Board of Directors consists of three Directors. Each member is an Independent Director as defined under Indian laws, Listing Regulations and the New York Stock Exchange Corporate Governance Guidelines. The Committee operates under a written charter adopted by the Board of Directors, and has been vested with all the powers necessary to effectively discharge its responsibilities.

The Committee's primary responsibilities are to:

- Discuss with senior management, the Company's Enterprise Level Risks and provide oversight as may be needed;
- Ensure it is apprised of the most significant risks and emerging issues, along with the actions, the management is taking and how it is ensuring effective Enterprise Risk Management (ERM); and
- Reviewing risk disclosure statements in any public documents or disclosures.

The Committee met thrice during the financial year to review the status of mitigation of the key business and financial risks, risk management initiatives, evaluate residual risk thereof and recommend interventions from time to time.

The Risk Management Committee also appraised the Board on key discussions and recommendations made at the Committee meetings and shared information on enterprise wide risks.

#### **Dr. Omkar Goswami**

Chairman, Risk Management Committee

Place Hyderabad  
Date 11 May 2016

#### **EXHIBIT 6** **REPORT OF THE STAKEHOLDERS RELATIONSHIP COMMITTEE**

*To the shareholders of Dr. Reddy's  
Laboratories Limited*

The Stakeholders Relationship Committee of the Board of Directors consists of four Directors, out of them two members are Independent Directors

as defined under Indian laws, Listing Regulations and the New York Stock Exchange Corporate Governance Guidelines. The Committee operates under a written charter adopted by the Board of Directors, and has been vested with all the powers necessary to effectively discharge its responsibilities.

The Committee's primary responsibilities are to:

- Review of investor complaints and their redressal;
- Review of queries received from investors;
- Review of work done by the share transfer agent; and
- Review of corporate actions related to security holders.

The Committee met four times during the financial year to review the status of investor grievance. The Committee also reviewed the functioning of the Company's Secretarial and Investor Relations function.

The Stakeholders Relationship Committee also appraised the Board on key discussions and recommendations made at the Committee meetings.

#### **Kalpna Morparia**

Chairperson, Stakeholders Relationship Committee

Place Hyderabad  
Date 11 May 2016

#### **EXHIBIT 7** **REPORT OF THE CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

*To the shareholders of Dr. Reddy's  
Laboratories Limited*

The Corporate Social Responsibility (CSR) Committee of the Board of Directors consists of three Directors, including two Executive Directors. The Chairman of the Committee is an Independent Director as defined under Indian laws, Listing Regulations and the New York Stock Exchange Corporate Governance Guidelines. The Committee operates under a written charter adopted by the Board of Directors, and has been vested with all the powers necessary to effectively discharge its responsibilities.



The Committee's primary responsibilities are to:

- Formulate, review and recommend to the Board a CSR Policy indicating the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013;
- Recommend the amount of expenditure to be incurred on the initiatives as per the CSR policy;
- Provide guidance on various CSR initiatives undertaken by the Company and to monitor their progress; and
- Monitor implementation and adherence to the CSR Policy of the Company from time to time.

During the financial year, the Committee met three times to review and monitor the projects undertaken under the CSR policy.

The Corporate Social Responsibility Committee also appraised the Board on key discussions and recommendations made at the Committee meetings and shared information on the overall CSR initiatives undertaken by the Company.

#### **Ravi Bhoothalingam**

Chairman, Corporate Social Responsibility Committee

Place Hyderabad  
Date 12 May 2016

### **EXHIBIT 8**

#### **CEO AND CFO CERTIFICATE TO THE BOARD PURSUANT TO REGULATION 17(8) OF THE LISTING REGULATIONS**

We, G V Prasad, Co-Chairman, Managing Director and Chief Executive Officer, and Saumen Chakraborty, President and Chief Financial Officer, to the best of our knowledge and belief, hereby certify that:

- A. We have reviewed the financial statements including the cash flow statement (standalone and consolidated) for the financial year ended 31 March 2016 and that these statements:
- i. do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and
  - ii. together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

- B. There are no transactions entered into by the Company during the year, which are fraudulent, illegal or violate the Company's Code of Business Conduct and Ethics.
- C. We accept the responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to address these deficiencies.
- D. We have disclosed, wherever applicable, to the auditors and the Audit Committee:
  - i. That there were no deficiencies in the design or operations of internal controls that could adversely affect the Company's ability to record, process, summarize and report financial data including any corrective actions;
  - ii. that there are no material weaknesses in the internal controls over financial reporting;
  - iii. that there are no significant changes in internal control over financial reporting during the year;
  - iv. all significant changes in the accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements; and
  - v. that there are no instances of significant fraud of which we have become aware of and involvement therein of the management or an employee having a significant role in the Company's internal control system over financial reporting.

#### **G V Prasad**

Co-Chairman, Managing Director & CEO

#### **Saumen Chakraborty**

President & Chief Financial Officer

Place Hyderabad  
Date 12 May 2016

### **AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

*To the members of Dr. Reddy's Laboratories Limited*

We have examined the compliance of conditions of Corporate Governance by Dr. Reddy's Laboratories Limited ("the Company"), for the year ended on 31 March 2016, as stipulated in Clause 49 of the Listing Agreement (up to 30 November 2015) and Schedule V of Listing Regulations (with effect from 1 December 2015).

The compliance of the conditions of the Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company. In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement and Regulations.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

for **B S R & CO. LLP**

Chartered Accountants  
ICAI Firm Registration No.: 101248W/  
W-100022

#### **Supreet Sachdev**

Partner  
Membership No.: 205385

Place Hyderabad  
Date 12 May 2016

# Additional Shareholders' Information



## CONTACT INFORMATION REGISTERED AND CORPORATE OFFICE

Dr. Reddy's Laboratories Limited  
8-2-337, Road No. 3, Banjara Hills  
Hyderabad 500 034  
Telangana, India  
Tel: +91-40-4900 2900  
Fax: +91-40-4900 2999  
Website: www.drreddys.com  
CIN: L85195TG1984PLC004507  
E-mail ID: shares@drreddys.com

## REPRESENTING OFFICERS

Correspondence to the following officers may be addressed at the registered and corporate office of the Company.

## COMPLIANCE OFFICER UNDER SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

Sandeep Poddar  
Company Secretary  
Tel: +91-40-4900 2222  
Fax: +91-40-4900 2999  
E-mail ID: spoddar@drreddys.com

## ADR INVESTORS/INSTITUTIONAL INVESTORS/FINANCIAL ANALYSTS

Kedar Upadhye  
Investor Relations  
Tel: +91-40-6683 4297  
Fax: +91-40-2373 1955  
E-mail ID: kedaru@drreddys.com

## MEDIA

Calvin Printer  
Corporate Communications  
Tel: +91-40-4900 2121  
Fax: +91-40-4900 2999  
E-mail ID: calvinprinter@drreddys.com

## INDIAN RETAIL INVESTORS

Sandeep Poddar  
Company Secretary  
Tel: +91-40-4900 2222  
Fax: +91-40-4900 2999  
E-mail ID: shares@drreddys.com

## ANNUAL GENERAL MEETING

Date Wednesday, 27 July 2016  
Time 9.30 AM  
Venue Kaveri Ball Room, Hotel Trident  
HITEC City, Madhapur,  
Hyderabad 500 081

Last date for receipt of proxy forms:  
Monday, 25 July 2016 before 9.30 AM.

## DIVIDEND

The Board of Directors of the Company has proposed a dividend of ₹ 20/- per equity share of ₹ 5/-. The dividend, if declared by the shareholders at the 32nd Annual General Meeting scheduled to be held on 27 July 2016, will be paid on or after 1 August 2016.

## BOOK CLOSURE DATE

The dates of book closure are from Wednesday, 20 July 2016 to Friday, 22 July 2016 (both days inclusive) for the purpose of payment of dividend.

## INTERNATIONAL SECURITIES IDENTIFICATION NUMBER (ISIN)

ISIN is a unique identification number of traded scrip. This number has to be quoted in each transaction relating to the dematerialised securities of the Company. The ISIN number of the equity shares of the Company is INE089A01023.

## CUSIP NUMBER FOR ADRs

The Committee on Uniform Security Identification Procedures (CUSIP) of the American Bankers Association has developed a numbering system for securities. A CUSIP number uniquely identifies a security and its issuer and this is recognised globally by organizations adhering to standards issued by the International Securities Organization. The Company's ADRs carry the CUSIP number **256135203**.

## DEPOSITORIES OVERSEAS DEPOSITORY OF ADRs

J P Morgan Chase & Co.  
P.O. Box 64504, St. Paul  
MN 55164-0504  
Tel: +1-651-453 2128

## INDIAN CUSTODIAN OF ADRs

JP Morgan Chase Bank NA  
India Sub-Custody, 6<sup>th</sup> Floor  
Paradigm B Wing, Mindspace,  
Malad (West)  
Mumbai 400 064, Maharashtra, India  
Tel: +91-22-6649 2500  
Fax: +91-22-6649 2509/2880 1117  
E-mail ID: india.custody.client.service@jpmorgan.com

## FINANCIAL CALENDAR

### TENTATIVE CALENDAR FOR DECLARATION OF FINANCIAL RESULTS IN FY2017

For the quarter ending 30 June 2016	Last week of July 2016
For the quarter and half-year ending 30 September 2016	Last week of October 2016
For the quarter and nine months ending 31 December 2016	First week of February 2017
For the year ending 31 March 2017	First fortnight of May 2017
AGM for the year ending 31 March 2017	Second fortnight of July 2017

FY2016 represents fiscal year 2015-16, from 1 April 2015 to 31 March 2016. Analogously for FY2015 and previously such labeled years.

**REGISTRAR FOR INDIAN SHARES  
(COMMON AGENCY FOR DEMAT AND  
PHYSICAL SHARES)**

M/s. Bigshare Services Private Limited  
306, Right Wing, 3rd Floor, Amrutha Ville  
Opp. Yashoda Hospital, Rajbhavan Road  
Hyderabad 500 082, Telangana, India  
Tel: +91-40-2337 4967  
Fax: +91-40-2337 0295  
E-mail ID: bsshyd@bigshareonline.com

**PERSONS HOLDING OVER 1%  
OF THE EQUITY SHARES**

**Table 1** gives the names of the persons who hold more than 1 per cent equity shares of the Company as on 31 March 2016.

**EQUITY HISTORY OF THE  
COMPANY**

**Table 2** lists equity history of the Company since incorporation of the Company up to 31 March 2016.

**DESCRIPTION OF VOTING RIGHTS**

All shares issued by the Company carry equal voting rights.

**STOCK DATA**

**Table 3** gives the monthly high/low and the total number of shares/ADRs traded per month on the BSE, NSE and the NYSE during FY2016.

**Chart 1** gives the movement of the Company's share price on NSE vis-à-vis CNX Nifty during FY2016.

**Chart 2** gives the movement of Dr. Reddy's ADR prices on NYSE vis-à-vis S&P ADR Index during FY2016.

**Chart 3** gives premium in per cent on ADR traded on NYSE compared to price quoted at NSE during FY2016.

**SHAREHOLDING PATTERN  
AS ON 31 MARCH 2016**

**Tables 4 and 5** give the data on shareholding classified on the basis of ownership and shareholders' class, respectively.

**DIVIDEND HISTORY**

The **Chart 4** on page 77 shows the dividend history of the Company from the FY2006 to FY2016.

**NOMINATION FACILITY**

Shareholders holding physical shares may, if they so desire, send their nominations in Form SH-13 of the Companies (Share Capital and Debentures) Rules, 2015, as amended, to the Registrar and Transfer Agent of the Company. Further, they may cancel/vary their nomination

already made, in Form SH-14 and send to the Registrar and Transfer Agent of the Company. Those holding shares in dematerialised form may contact their respective Depository Participant (DP) to avail the nomination facility.

**EXCHANGE OF SHARE  
CERTIFICATES**

Standard Equity Fund Limited (SEFL), Cheminor Drugs Limited (CDL) and American Remedies Limited (ARL) merged with Dr. Reddy's Laboratories Limited in the years 1995, 2000 and 2001 respectively. Also, during the year 2001, the Company sub-divided the face value of its equity shares of ₹ 10/- into ₹ 5/-. Hence, the share certificates of the above three companies and old share certificates of ₹ 10/- face value are no longer valid.

The shareholders holding the share certificates of the above three companies or of ₹ 10/- face value, are requested to submit those share certificates either to the Company or to the Registrar and Transfer Agent, M/s. Bigshare Services Private Limited. On receipt of these share certificate(s), the new share certificate(s) would be mailed to the shareholders.

**LISTING ON STOCK EXCHANGES AND STOCK CODES**

	EQUITY SHARES	ADRs
BSE Limited (BSE), P J Tower, Dalal Street, Fort, Mumbai 400 001, India	500124	-
National Stock Exchange of India Limited (NSE), Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai 400 051, India	DRREDDY-EQ	-
New York Stock Exchange Inc. (NYSE), 11, Wall Street, New York, 10005, USA	-	RDY

**Notes:**

1. Listing fees to the Indian Stock Exchanges for listing of equity shares have been paid for the FY2017.
2. Listing fees to the NYSE for listing of ADRs has been paid for the CY2016.
3. The Stock Code on Reuters is REDY.NS and on Bloomberg is DRRD:IN.

**TABLE 1 PERSONS HOLDING 1% OR MORE OF THE EQUITY SHARES IN THE COMPANY AS ON 31 MARCH 2016<sup>(1)</sup>**

SL. NO.	NAME	NO. OF SHARES	%
1	Dr. Reddy's Holdings Limited	39,961,234	23.42
2	First State Investments Management (UK) Limited, First State Investments International Limited and their associates	15,260,425	8.94
3	Oppenheimer Developing Markets Fund	7,255,073	4.25
4	Blackrock Institutional Trust Company and their associates	4,634,205	2.72
5	Life Insurance Corporation of India and its associates	4,281,117	2.51
6	Abu Dhabi Investment Authority	2,661,202	1.56
7	Government of Singapore	2,565,584	1.50
8	Franklin Templeton Investments Funds	2,558,701	1.50
9	Teluk Kemang Investments (Mauritius) Limited	2,075,536	1.22

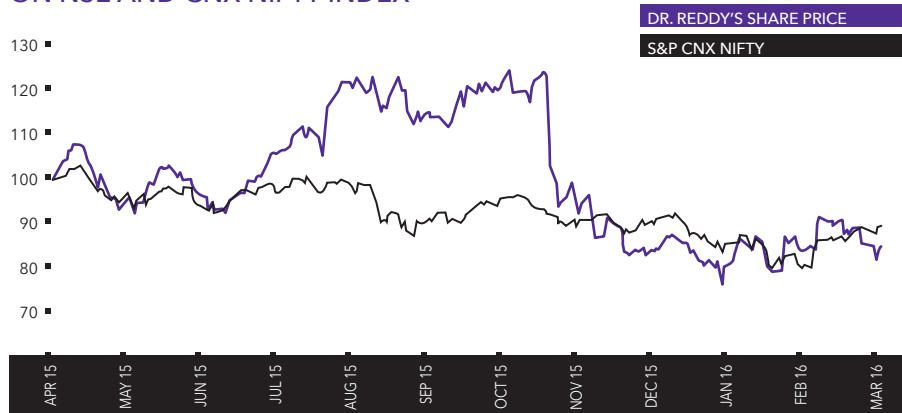
<sup>(1)</sup> Does not include ADR holding.



<b>TABLE 2 EQUITY HISTORY OF THE COMPANY SINCE INCORPORATION OF THE COMPANY UP TO 31 MARCH 2016</b>				
<b>DATE/FINANCIAL YEAR</b>	<b>PARTICULARS</b>	<b>ISSUED</b>	<b>CANCELLED</b>	<b>CUMULATIVE</b>
24 February 1984	Issue to Promoters	200		200
22 November 1984	Issue to Promoters	243,300		243,500
14 June 1986	Issue to Promoters	6,500		250,000
9 August 1986	Issue to Public	1,116,250		1,366,250
30 September 1988	Forfeiture of 100 shares		100	1,366,150
9 August 1989	Rights Issue	819,750		2,185,900
16 December 1991	Bonus Issue (1:2)	1,092,950		3,278,850
17 January 1993	Bonus Issue (1:1)	3,278,850		6,557,700
10 May 1994	Bonus Issue (2:1)	13,115,400		19,673,100
10 May 1994	Issue to Promoters	2,250,000		21,923,100
26 July 1994	GDR underlying Equity Shares	4,301,076		26,224,176
29 September 1995	SEFL Shareholders on merger	263,062		26,487,238
30 January 2001	CDL Shareholders on merger	5,142,942		31,630,180
30 January 2001	Cancellation of shares held in CDL		41,400	31,588,780
11 April 2001	ADR underlying Equity Shares	6,612,500		38,201,280
9 July 2001	GDR conversion into ADR			38,201,280
24 September 2001	ARL Shareholders on merger	56,694		38,257,974
25 October 2001	Sub division of equity shares*			76,515,948
30 January 2004	Allotment pursuant to exercise of Stock Options	3,001		76,518,949
2005-06	Allotment pursuant to exercise of Stock Options	175,621		76,694,570
11 May 2006	Allotment pursuant to exercise of Stock Options	7,683		76,702,253
1 July 2006	Allotment pursuant to exercise of Stock Options	34,687		76,736,940
16 August 2006	Allotment pursuant to exercise of Stock Options	20,862		76,757,802
30 August 2006	Bonus Issue (1:1)	76,757,802		153,515,604
22 November 2006	ADR underlying Equity Shares	12,500,000		166,015,604
29 November 2006	ADR underlying Equity Shares (Green Shoe option)	1,800,000		167,815,604
19 December 2006	Allotment pursuant to exercise of Stock Options	13,958		167,829,562
16 February 2007	Allotment pursuant to exercise of Stock Options	70,782		167,900,344
20 March 2007	Allotment pursuant to exercise of Stock Options	11,836		167,912,180
2007-08	Allotment pursuant to exercise of Stock Options	260,566		168,172,746
2008-09	Allotment pursuant to exercise of Stock Options	223,605		168,468,777
	Allotment pursuant to exercise of ADR Stock Options	72,426		
2009-10	Allotment pursuant to exercise of Stock Options	302,451		168,845,385
	Allotment pursuant to exercise of ADR Stock Options	74,157		
2010-11	Allotment pursuant to exercise of Stock Options	363,296		169,252,732
	Allotment pursuant to exercise of ADR Stock Options	44,051		
2011-12	Allotment pursuant to exercise of Stock Options	264,683		169,560,346
	Allotment pursuant to exercise of ADR Stock Options	42,931		
2012-13	Allotment pursuant to exercise of Stock Options	228,583		169,836,475
	Allotment pursuant to exercise of ADR Stock Options	47,546		
2013-14	Allotment pursuant to exercise of Stock Options	241,140		170,108,868
	Allotment pursuant to exercise of ADR Stock Options	31,253		
2014-15	Allotment pursuant to exercise of Stock Options	237,912		170,381,174
	Allotment pursuant to exercise of ADR Stock Options	34,394		
2015-16	Allotment pursuant to exercise of Stock Options	194,011		170,607,653
	Allotment pursuant to exercise of ADR Stock Options	32,468		

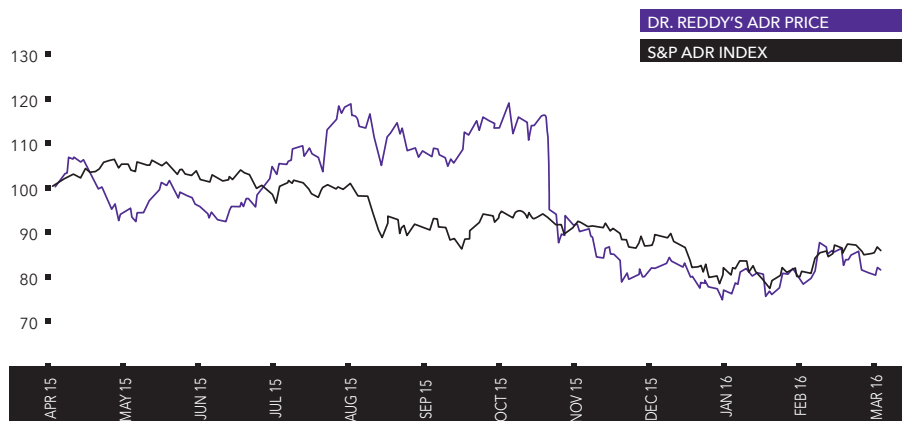
\*Sub-division of one equity share of ₹ 10/- face value into two equity shares of ₹ 5/- face value.

(SEFL - Standard Equity Fund Limited, CDL - Cheminor Drugs Limited, ARL - American Remedies Limited).

**CHART 1: MOVEMENT OF THE COMPANY'S SHARE PRICE ON NSE AND CNX NIFTY INDEX**

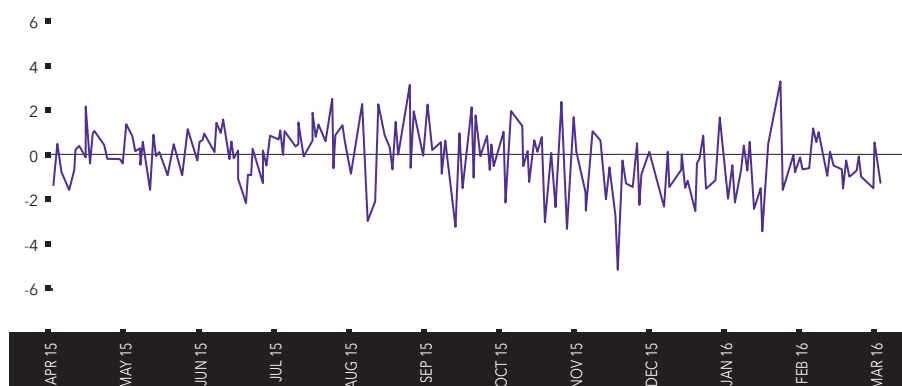
Notes: 1. All values are indexed to 100 as on 1 April 2015.

2. S&P CNX Nifty (Nifty 50) is a well diversified 50 stock index accounting for 13 sectors of the Indian economy. It is owned and managed by India Index Services and Products Ltd. (IISL), India's first specialized company focused upon the index as a core product.

**CHART 2: MOVEMENT OF ADR PRICES AND S&P ADR INDEX**

Notes: 1. All values are indexed to 100 as on 1 April 2015.

2. The S&P ADR Index is based on the non-US stocks comprising the S&P Global 1200 traded in the US exchanges. For details of the methodology used to compute this index please visit [www.adr.com](http://www.adr.com).

**CHART 3: PREMIUM ON ADR TRADED ON NYSE VERSUS PRICE QUOTED AT NSE**

Notes: Premium has been calculated on a daily basis using RBI reference exchange rate.

**SHARE TRANSFER SYSTEM**

All queries and requests relating to share transfers/transmissions may be addressed to our Registrar and Transfer Agent:

**BIGSHARE SERVICES PRIVATE LIMITED**

306, Right Wing, 3rd Floor, Amrutha Ville  
Opp. Yashoda Hospital, Rajbhavan Road  
Hyderabad 500 082  
Tel: +91-40-2337 4967  
Fax: +91-40-2337 0295  
E-mail ID: [bsshyd@bigshareonline.com](mailto:bsshyd@bigshareonline.com)

To expedite the process of share transfers, the Company Secretary has been delegated with the power to attend to the share transfer formalities at regular intervals.

Pursuant to the provisions of Section 46 of the Companies Act, 2013 read with Rule 6(2)(a) of the Companies (Share Capital & Debentures) Rules, 2014, duplicate share certificates, in lieu of those that are lost or destroyed, should only be issued with the prior consent of the Board. However, the Ministry of Corporate Affairs vide its General Circular no. 19/2014, dated 12 June 2014, has clarified that the powers of the Board with regard to issue of duplicate share certificates can be exercised by a Committee of Directors. Therefore, the Board of Directors, at its meeting held on 12 May 2015, delegated the power to issue duplicate share certificates, to the Stakeholders Relationship Committee.

The Company periodically reviews the operations of its Registrar and Transfer Agent. The number of shares transferred/transmitted in physical form during the last two financial years are given in **Table 6**.

**DEMATERIALIZATION OF SHARES**

The Company's scrip forms part of the compulsory dematerialization segment for all investors with effect from 15 February 1999. To facilitate easy access of the dematerialized system to the investors, the Company has signed up with both the depositories – namely the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) – and has established connectivity with the depositories through its Registrar and Transfer Agent, M/s. Bigshare Services Private Limited.

The Company continued the arrangement with a depository participant, to facilitate opening of demat account by Company's shareholders at no charge till 31 March 2016.

TABLE 3 HIGH, LOW AND NUMBER OF SHARES TRADED PER MONTH ON BSE, NSE AND NYSE DURING FY2016									
MONTH	BSE			NSE			NYSE		
	HIGH (₹)	LOW (₹)	NO. OF SHARES	HIGH (₹)	LOW (₹)	NO. OF SHARES	HIGH (US\$)	LOW (US\$)	NO. OF ADRs <sup>(1)</sup>
April 2015	3,808.75	3,280.80	892,344	3,807.80	3,276.50	6,215,463	60.85	51.56	6,253,632
May 2015	3,689.00	3,250.15	443,106	3,692.65	3,250.05	7,175,340	57.60	51.25	5,061,290
June 2015	3,572.10	3,268.00	281,296	3,572.00	3,266.55	5,405,692	55.72	51.34	3,667,431
July 2015	4,084.95	3,502.45	457,179	4,093.50	3,535.40	7,868,566	64.49	55.48	5,507,255
August 2015	4,337.00	3,933.65	486,409	4,337.95	3,932.00	8,081,901	68.00	58.54	9,403,284
September 2015	4,308.25	3,855.65	388,628	4,309.45	3,851.65	8,612,268	64.74	59.02	7,287,261
October 2015	4,382.95	4,080.00	562,523	4,386.60	4,080.10	10,753,973	68.00	62.38	10,214,225
November 2015	4,375.30	3,049.75	2,468,369	4,379.20	3,047.05	24,664,377	66.68	46.06	13,794,498
December 2015	3,265.00	2,950.50	1,271,471	3,265.00	2,951.00	11,709,161	48.79	43.41	10,128,582
January 2016	3,122.90	2,750.00	843,357	3,123.00	2,750.05	7,994,450	46.29	40.68	8,013,109
February 2016	3,151.85	2,814.80	1,077,257	3,154.40	2,813.05	10,785,081	45.86	41.34	7,686,592
March 2016	3,280.00	2,891.95	736,401	3,283.00	2,887.15	8,582,298	49.40	43.73	6,708,772

<sup>(1)</sup> One ADR is equal to one equity share.

TABLE 4 DISTRIBUTION OF SHAREHOLDING ON THE BASIS OF OWNERSHIP					
	AS ON 31 MARCH 2016		AS ON 31 MARCH 2015		% CHANGE
	NO. OF SHARES	% OF TOTAL	NO. OF SHARES	% OF TOTAL	
<b>Promoter's Holding</b>					
- Individuals	3,688,528	2.16	3,688,528	2.16	0.00
- Companies	39,961,234	23.42	39,729,284	23.32	0.10
<b>Sub-Total</b>	<b>43,649,762</b>	<b>25.58</b>	<b>43,417,812</b>	<b>25.48</b>	<b>0.10<sup>(1)</sup></b>
Indian Financial Institutions	4,587,035	2.69	3,093,029	1.82	0.87
Banks	242,636	0.14	163,268	0.10	0.04
Mutual Funds/UTI	5,446,331	3.19	6,010,819	3.52	(0.33)
<b>Foreign holdings</b>					
- Foreign Institutional Investors/Foreign Companies	66,005,077	38.70	66,211,413	38.86	(0.16)
- Non Resident Indians	2,085,783	1.22	2,160,946	1.27	(0.05)
- ADRs	28,582,809	16.75	28,773,857	16.89	(0.14)
- Foreign Nationals	5,762	0.00	5,884	0.00	0.00
<b>Sub total</b>	<b>106,955,433</b>	<b>62.69</b>	<b>106,419,216</b>	<b>62.46</b>	<b>0.23</b>
Indian Public and Corporates	20,002,458	11.73	20,544,146	12.06	(0.33)
<b>Total</b>	<b>170,607,653</b>	<b>100.00</b>	<b>170,381,174</b>	<b>100.00</b>	<b>0.00</b>

<sup>(1)</sup> Change in percentage due to ESOP allotment and acquisition of 231,950 shares by Dr. Reddy's Holdings Limited.

TABLE 5 DISTRIBUTION OF SHAREHOLDING ACCORDING TO SHAREHOLDERS' CLASS AS ON 31 MARCH 2016				
SHARES HELD	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES HELD	% OF SHAREHOLDING
1 - 5,000	108,704	99.01	11,590,400	6.79
5,001 - 10,000	456	0.42	3,144,211	1.84
10,001 - 20,000	244	0.22	3,386,652	1.99
20,001 - 30,000	76	0.07	1,886,713	1.11
30,001 - 40,000	45	0.04	1,527,525	0.90
40,001 - 50,000	29	0.03	1,312,429	0.77
50,001 - 100,000	88	0.08	6,103,829	3.58
100,001 and above	148	0.13	113,073,085	66.28
<b>Total (Excluding ADRs)</b>	<b>109,790</b>	<b>100.00</b>	<b>142,024,844</b>	<b>83.25</b>
Equity shares underlying ADRs <sup>(1)</sup>	1	0.00	28,582,809	16.75
<b>Total</b>	<b>109,791</b>	<b>100.00</b>	<b>170,607,653</b>	<b>100.00</b>

<sup>(1)</sup> Held by beneficial owners outside India.

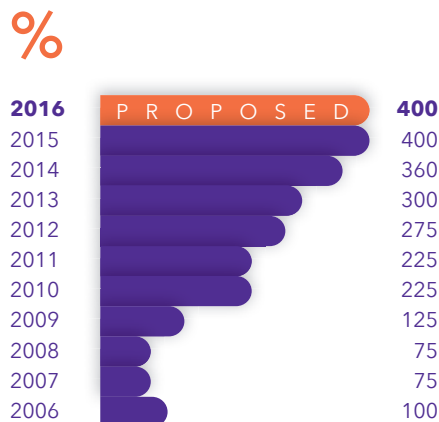
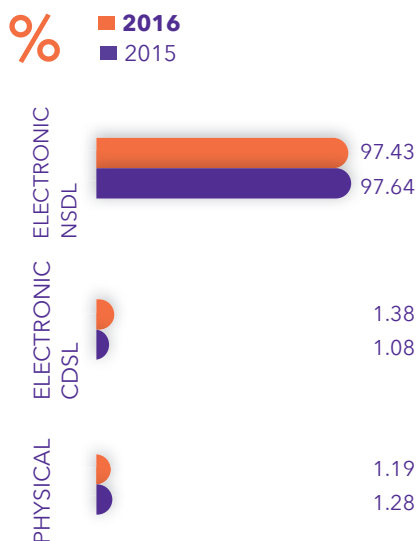
**CHART 4:  
DIVIDEND HISTORY FY2006-16****CHART 5:  
BREAK UP OF SHARES IN  
ELECTRONIC AND PHYSICAL  
FORM AS ON 31 MARCH 2016  
AND 31 MARCH 2015**

Chart 5 gives the breakup of dematerialized shares and shares in certificate form as on 31 March 2016 as compared with that as on 31 March 2015. Dematerialization of shares is done through M/s. Bigshare Services Private Limited and on an average the dematerialization process is completed within 10 days from the date of receipt of a valid dematerialization request along with the relevant documents.

**QUERIES AND REQUESTS RECEIVED FROM SHAREHOLDERS IN FY2016**

Table 7 gives details of shareholder queries received and replied to during FY2016. Pending queries and requests were either received during the last week of March 2016, or were pending due to non-receipt of information/documents from the shareholders.

**OUTSTANDING ADRs AND THEIR IMPACT ON EQUITY SHARES**

The Company's ADRs are traded in the US on New York Stock Exchange Inc. (NYSE) under the ticker symbol 'RDY'. Each ADR is represented by one equity share. As on 31 March 2016, there were approximately 66 registered holders and 16,438 beneficial shareholders of ADRs evidencing 28,582,809 ADRs.

**SECRETARIAL AUDIT**

For each quarter of FY2016, a qualified Practising Company Secretary carried out the reconciliation of share capital audit to reconcile the total admitted share capital with NSDL and CDSL, total issued and listed share capital. The reports confirm that the total issued/paid up share capital is in agreement with the total number of shares in physical form and dematerialized form held with NSDL and CDSL.

In addition to the above and pursuant to Section 204 of the Companies Act, 2013 and corresponding Rule 9 of The Companies (Appointment and Remuneration Personnel) Rules, 2014, a secretarial audit for FY2016 was carried out by Dr. K R Chandratre, Practising Company Secretary (Membership No. FCS1370 and Certificate of Practice No. 5144), having more than 29 years of experience. The secretarial audit report forms a part of this annual report.

**DATES AND VENUE OF LAST THREE ANNUAL GENERAL MEETINGS**

Table 8 gives the details of date, time, location and business transacted through special resolution at last three Annual General Meetings.

**DETAILS OF POSTAL BALLOT**

Table 9 gives voting details of Special Resolutions passed through postal ballot during FY2016.

**PERSON WHO CONDUCTED THE POSTAL BALLOT PROCESS**

Mr. G Raghu Babu, Company Secretary in Practice, Partner, M/s. R & A Associates, Company Secretaries, Hyderabad (Membership No. F4448 & Certificate of Practice No. 2820) was appointed as the Scrutinizer for carrying out the postal ballot process for the above two items in a fair and transparent manner.

**PROPOSAL TO CONDUCT POSTAL BALLOT FOR ANY MATTER IN ENSUING ANNUAL GENERAL MEETING**

There is no proposal to conduct postal ballot for any matter in ensuing Annual General Meeting.

**PROCEDURE FOR POSTAL BALLOT**

In compliance with the Listing Regulations and Sections 108, 110 and other applicable provisions of the Companies Act, 2013, read with applicable rules, the Company provides electronic voting facility to all its shareholders, to enable them to cast their votes electronically. The Company engages the services of NSDL for the purpose of providing e-voting facility to all its shareholders. The shareholders have the option to vote either by physical ballot or e-voting.

The Company dispatches the postal ballot notices and forms along with self-addressed Business Reply Envelope to its shareholders whose names appear on the register of members/list of beneficiaries as on a cut-off date. The postal ballot notice is sent to the shareholders in electronic form to the email addresses registered with the Depository Participants/the Registrar and Transfer Agent.

Voting rights are reckoned on the paid up value of the shares registered in the names of the shareholders as on the cut-off date. Shareholders desiring to exercise their votes by physical postal ballot forms are requested to return the forms duly completed and signed, to the Scrutinizer on or before the closing of the voting period. Shareholders desiring to exercise their votes by electronic mode are requested to vote before close of business hours on the last day of e-voting. The last date specified by the Company for receipt of duly completed postal ballot forms or e-voting is deemed to be the date of passing of the resolution.



TABLE 6 SHARES TRANSFERRED/TRANSMITTED IN PHYSICAL FORM		
	FY2016	FY2015
Number of transfers/transmissions	91	83
Number of shares	22,606	35,520

TABLE 7 SHAREHOLDER QUERIES AND REQUESTS RECEIVED AND REPLIED TO IN FY2016					
SL. NO.	NATURE OF LETTERS	OPENING BALANCE	RECEIVED	REPLIED	CLOSING BALANCE <sup>(1)</sup>
1	Change of address	-	91	91	-
2	Revalidation and issue of duplicate dividend warrants	175	524	658	41
3	Sub-division of shares (exchange)	2	170	170	2
4	Share transfers	-	73	73	-
5	Transmission of shares	1	22	23	-
6	Split/Consolidation of shares	-	-	-	-
7	Stop transfers	-	39	39	-
8	Power of attorney registration	-	1	1	-
9	Change of bank mandate	-	69	69	-
10	Correction of name	-	20	20	-
11	Dematerialization of Shares	-	608	604	4
12	Rematerialization of Shares	-	6	6	-
13	Issue of duplicate share certificates of Dr. Reddy's	5	81	86	-
14	Letters & emails received from shareholders	7	1,634	1,634	7
15	Complaints received from Stock Exchanges/SEBI etc.	-	21	21	-

<sup>(1)</sup> The Company has since addressed all the shareholders' queries and requests which were pending as on 31 March 2016.

The above table does not include those shareholders' disputes, which are pending in various courts.

TABLE 8 LAST THREE ANNUAL GENERAL MEETINGS			
YEAR	DATE AND TIME	LOCATION	SPECIAL RESOLUTION(S) PASSED
2012-13	31 July 2013 at 10.30 AM	Grand Ball Room, Hotel Taj Krishna, Road No. 1, Banjara Hills, Hyderabad 500 034	No Special Resolution passed
2013-14	31 July 2014 at 9.30 AM	Grand Ball Room, Hotel Taj Krishna, Road No. 1, Banjara Hills, Hyderabad 500 034	Approval of Material Related Party Contracts/Arrangements/ Transactions with Dr. Reddy's Laboratories Inc., USA, a wholly-owned subsidiary of the Company
2014-15	31 July 2015 at 9.30 AM	Grand Ball Room, Hotel Taj Krishna, Road No. 1, Banjara Hills, Hyderabad 500 034	No Special Resolution passed

TABLE 9 POSTAL BALLOT DETAILS								
SPECIAL RESOLUTION(S) PASSED	VOTING DETAILS							DATE OF DECLARATION OF RESULTS
	NO. OF SHARES	NO. OF VOTES POLLED	% OF VOTES POLLED ON OUTSTANDING SHARES	VOTES CAST IN FAVOR		VOTES CAST AGAINST		
				NO. OF VOTES	%	NO. OF VOTES	%	
Adoption of new Articles of Association of the Company	170,557,922	118,187,659	69.29	118,166,170	99.98	21,489	0.02	18 September 2015
Buyback of equity shares by the Company	170,607,653	119,447,536	70.01	119,386,685	99.95	60,851	0.05	2 April 2016

The Scrutinizer submits his report to the Chairman, after the completion of scrutiny, and the consolidated results of the voting by postal ballot are then announced by the Chairman. The results are also displayed on the website of the Company [www.drreddys.com](http://www.drreddys.com), besides being communicated to the Stock Exchanges, Depository and Registrar and Transfer Agent.

### DISCLOSURE ON LEGAL PROCEEDINGS PERTAINING TO SHARES

There are six pending cases relating to disputes over title of the shares of the Company, in which the Company has been made a party. These cases, however, are not material in nature.

### UNCLAIMED DIVIDENDS/ INTEREST

Pursuant to Section 205A of the Companies Act, 1956, unclaimed dividend amounts up to and including for the FY2008 have been transferred to the general revenue account of the Central Government/Investor Education and Protection Fund.

The dividends and interest on debentures for the following years, which remain unclaimed for seven years will be transferred to Investor Education and Protection Fund established by the Central Government under Section 205C of the Companies Act, 1956. **Table 10** gives the transfer dates in this regard.

The Bonus Debentures, issued by the Company in 2011, matured on 24 March 2014. They were redeemed for cash at face value of ₹ 5/- each along with third and final year's interest. Shareholders/ Debenture-holders who have not claimed the dividend(s)/interest/ redemption amount are, therefore, requested to do so before they are statutorily transferred to the Investor Education and Protection Fund.

Shareholders/Debenture-holders who have not encashed their dividend/ interest warrants nor claimed the redemption amount on matured debentures as specified in **Table 10** are requested to immediately approach M/s. Bigshare Services Private Limited, Hyderabad for issuing duplicate warrant(s)/demand draft(s) in lieu of the original warrants.

### UNCLAIMED SHARE CERTIFICATES

**Table 11** gives the details of the unclaimed share certificates held by the Company.

### NON-COMPLIANCE ON MATTERS RELATING TO CAPITAL MARKETS

There has been no instance of non-compliance by the Company on matters relating to capital markets for the last three years.

### FINANCIAL RESULTS ON COMPANY'S WEBSITE

The quarterly, half yearly and annual results of the Company are displayed on its website [www.drreddys.com](http://www.drreddys.com). Presentations to analysts, as and when made, are immediately placed on the website for the benefit of the shareholders and public at large. Apart from the above, the Company also regularly provides relevant information to the stock exchanges as per the requirements of the Listing Regulations.

### INFORMATION ON DIRECTORS PROPOSED FOR RE-APPOINTMENT/APPOINTMENT

The information is given in the Chapter on *Corporate Governance and notice of 32nd Annual General Meeting*.

### QUERIES AT ANNUAL GENERAL MEETING

Shareholders desiring any information with regard to the accounts are requested to write to the Company at an early date so as to enable the management to keep the information ready. The queries relating to operational and financial performance may be raised at the Annual General Meeting.

The Company provides the facility of Investor-Helpdesk at the Annual General Meeting. Shareholders may post their queries relating to shares, dividends etc., at this Investor-Helpdesk.

### PROCEDURE FOR CONVENING AN EXTRAORDINARY GENERAL MEETING

Pursuant to the provisions of Section 100 of the Companies Act, 2013, Companies (Management and Administration) Rules, 2014 and Secretarial Standard on General Meeting (SS-2), an Extraordinary General Meeting of the Company may be called by a requisition made by shareholders, either in writing or through electronic mode, at least clear twenty one days prior to the proposed date of such Extraordinary General Meeting. Such a requisition, signed by the requisitionists, shall set out the matters of consideration for which the meeting is to be called and shall be sent to the registered office of the Company.

Shareholders entitled to make requisition for an Extraordinary General Meeting with regard to any matter, shall be those who hold not less than one-tenth of such of the paid up share capital of the Company as on the date of the requisition.

### PROCEDURE FOR NOMINATING A DIRECTOR ON THE BOARD

Pursuant to Section 160 of the Companies Act, 2013, any person, or some shareholder intending to propose such person for appointment as a Director of the Company, shall deposit a signed

notice signifying candidature to the office of a Director, along with a deposit of ₹ 100,000 (Rupees One Lakh) at the registered office of the Company, not less than fourteen days before the shareholders' meeting. This amount shall be refunded to such person or the shareholder, if the person proposed gets elected as a Director or gets more than 25% of votes.

All nominations are considered by the Nomination, Governance and Compensation Committee of the Board of Directors of the Company which entirely comprises of Independent Directors.

### INFORMATION ON MEMORANDUM AND ARTICLES OF ASSOCIATION

During the year, the Company adopted new set of Articles of Association in substitution, and to entire exclusion of the regulations contained in the existing Articles of Association of the Company. This was primarily done to align the Articles with the new Companies Act, 2013 and rules thereunder. The Company's Memorandum and newly adopted Articles of Association is available on its website: [www.drreddys.com](http://www.drreddys.com).

### COMMODITY PRICE OR FOREIGN EXCHANGE RISK

Appropriate disclosure on commodity price or foreign exchange risk and hedging activities is given in note 2.35 of the Notes to the standalone financial statements.

### CERTIFICATE FROM THE COMPANY SECRETARY

I, Sandeep Poddar, Company Secretary of Dr. Reddy's Laboratories Limited, hereby confirm that as on date of this certificate, the Company has:

- Complied with the provisions of applicable rules and regulations framed by the Securities and Exchange Board of India and the Companies Act, 2013, effective as on date, and applicable to the Company.
- Complied with the provisions prescribed for Directors' Identification Number under the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014, as amended.

TABLE 10 DATES OF TRANSFER OF UNCLAIMED DIVIDEND ON SHARES/INTEREST AND REDEMPTION AMOUNT ON BONUS DEBENTURES				
FINANCIAL YEAR	TYPE OF PAYMENT	DATE OF DECLARATION/PAYMENT	AMOUNT OUTSTANDING AS ON 31 MARCH 2016	DUE FOR TRANSFER ON
2008-09	Final Dividend	22 July 2009	2,859,191.75	21 August 2016
2009-10	Final Dividend	23 July 2010	4,807,822.50	27 August 2017
2010-11	Final Dividend	21 July 2011	4,934,036.25	27 August 2018
2011-12	1st Year Debenture Interest	24 March 2012	1,612,076.55	23 March 2019
2011-12	Final Dividend	20 July 2012	6,218,816.25	26 August 2019
2012-13	2nd Year Debenture Interest	23 March 2013	1,655,734.89	22 March 2020
2012-13	Final Dividend	31 July 2013	6,944,115.00	30 August 2020
2013-14	Debenture Redemption and 3rd & Final Year Interest	24 March 2014	13,836,437.24	23 March 2021
2013-14	Final Dividend	31 July 2014	8,724,006.00	30 August 2021
2014-15	Final Dividend	31 July 2015	9,386,760.00	30 August 2022

TABLE 11 UNCLAIMED SHARE CERTIFICATES			
SL. NO.	PARTICULARS	NO. OF SHAREHOLDERS	NO. OF SHARES
i.	Aggregate number of shareholders and the outstanding no. of unclaimed shares at the beginning of the year	4,397	730,389
ii.	Number of shareholders who approached to claim these shares during the year	186	36,890
iii.	Aggregate number of shareholders who claimed and were given those shares during the year	186	36,890
iv.	Aggregate number of shareholders and the outstanding no. of unclaimed shares at the end of the year	4,211	693,499

- c. Maintained all books of accounts and statutory registers prescribed under the Companies Act, 2013.
- d. Filed all forms and returns and furnished all necessary particulars to the Registrar of Companies and/or authorities as required under the Companies Act, 2013.
- e. Conducted the Board meetings and Annual General Meeting as per the Companies Act, 2013 and the minutes thereof were properly recorded in the minutes books.
- f. Effected share transfers and despatched the certificates within the time limit prescribed by various authorities.
- g. Not exceeded the borrowing or investment limits.
- h. Paid dividend to the shareholders, transferred the unpaid dividends to the Investor Education and Protection Fund within the time limit and has also complied with the provisions of the Investor Education and Protection Fund (Uploading of Information Regarding Unpaid and Unclaimed Amounts Lying with Companies) Rules, 2012.

The certificate is given by the undersigned according to the best of his knowledge and belief and based on the available information and records, knowing fully that on the faith and strength of what is stated above,

full reliance will be placed on it by the shareholders of the Company.

**Sandeep Poddar**  
Company Secretary

Place Hyderabad  
Date 12 May 2016

### FACILITY LOCATIONS IN INDIA ACTIVE PHARMACEUTICAL INGREDIENT (API) FACILITIES

**API HYDERABAD PLANT 1**  
Plot No. 137 & 138, IDA Bollaram,  
Jinnaram Mandal  
Medak District, Telangana,  
Pin: 502 325

**API HYDERABAD PLANT 2**  
Plot No. 75B, 105, 110 & 111  
IDA Bollaram, Jinnaram Mandal  
Medak District, Telangana,  
Pin: 502 325

**API HYDERABAD PLANT 3**  
Plot No. 116, 116A & 126C & SY No. 157  
IDA Bollaram, Jinnaram Mandal  
Medak District, Telangana,  
Pin: 502 325

**API HYDERABAD PLANT 4**  
Plot No. 9/A, 9/B, 22A, 22B & 22C  
Phase - III, IDA Jeedimetla  
Ranga Reddy District, Telangana,  
Pin: 500 055

### API NALGONDA PLANT

Peddadevulapally  
Tripuraram Mandal  
Nalgonda District, Telangana,  
Pin: 508 207

### API SRIKAKULAM PLANT

IDA Pydibheemavaram  
Ranastalam Mandal  
Srikakulam District, Andhra Pradesh,  
Pin: 532 409

### API SRIKAKULAM PLANT (SEZ)

Sector No. 28 & 34  
Devunipalavalasa Village  
Ranastalam Mandal  
Srikakulam District, Andhra Pradesh,  
Pin: 532 409

### FORMULATIONS MANUFACTURING FACILITIES

#### FORMULATIONS HYDERABAD PLANT 1

Plot No. 146  
IDA Bollaram, Jinnaram Mandal, Medak  
District, Telangana,  
Pin: 502 320

#### FORMULATIONS HYDERABAD PLANT 2

S Y No. 42, 45, 46 & 54  
Bachupally, Qutubullapur Mandal,  
Ranga Reddy District, Telangana,  
Pin: 500 123

**FORMULATIONS HYDERABAD PLANT 3**

S Y No. 41  
Bachupally, Qutubullapur Mandal, Ranga Reddy District, Telangana,  
Pin: 500 123

**FORMULATIONS YANAM PLANT**

Ward-F, Block-4, Advavipolam  
Yanam,  
Puducherry,  
Pin: 533 464

**FORMULATIONS BADDI PLANT 1**

Khol, Nalagarh  
Nalagarh Road, Solan District,  
Baddi,  
Himachal Pradesh,  
Pin: 173 205

**FORMULATIONS BADDI PLANT 2**

Village Mauja Thana  
Nalagarh Baddi Road, Baddi, Solan District  
Himachal Pradesh,  
Pin: 173 205

**FORMULATIONS VIZAG SEZ PLANT 1**

Plot No. P1-P9, Phase III  
Duvvada, VSEZ, Visakhapatnam  
Andhra Pradesh,  
Pin: 530 046

**FORMULATIONS VIZAG SEZ PLANT 2**

Plot No. Q1 to Q5, Phase III  
Duvvada, VSEZ, Visakhapatnam,  
Andhra Pradesh,  
Pin: 530 046

**FORMULATIONS SRIKAKULAM PLANT (SEZ)**

Sector No. 9-13 & 17-20  
Devunipalavalasa Village  
Ranastalam Mandal  
Srikakulam District,  
Andhra Pradesh,  
Pin: 532 409

**FORMULATIONS SRIKAKULAM PLANT (SEZ) UNIT II**

Sector No. 9-13 & 17-20  
Devunipalavalasa Village  
Ranastalam Mandal  
Srikakulam District,  
Andhra Pradesh,  
Pin: 532 409

**BIOLOGICS**

Survey No. 47, Bachupally Village,  
Qutubullapur Mandal,  
Ranga Reddy District, Telangana,  
Pin: 500 123

**RESEARCH AND DEVELOPMENT FACILITIES - WITHIN INDIA****INTEGRATED PRODUCT DEVELOPMENT ORGANISATION (IPDO)**

Bachupally Village  
Qutubullapur Mandal  
Ranga Reddy District, Telangana  
Pin: 500 123

**IPDO, BENGALURU**

39-40, KIADB Industrial Area, Electronic City Phase II, Hosur Road,  
Bengaluru, Karnataka  
Pin: 560 100

**AURIGENE DISCOVERY TECHNOLOGIES LIMITED (ADTL), BENGALURU**

39-40, KIADB Industrial Area, Electronic City Phase II, Hosur Road,  
Bengaluru, Karnataka  
Pin: 560 100

**ADTL, HYDERABAD**

Bollaram Road, Miyapur  
Hyderabad, Telangana  
Pin: 500 049

**TECHNOLOGY DEVELOPMENT CENTRE 1**

Bollaram Road,  
Miyapur, Hyderabad,  
Telangana Pin: 500 049

**TECHNOLOGY DEVELOPMENT CENTRE 2**

Plot 31A IDA,  
Jeedimetla, Hyderabad,  
Telangana Pin: 500 050

**FACILITY LOCATIONS OUTSIDE INDIA****KUNSHAN ROTAM REDDY PHARMACEUTICAL CO. LIMITED**

No.258, Huang Pu Jiang (M) Road,  
Kunshan Development Zone,  
Jiangsu Province P. R. China,  
Pin: 215 300

**API CUERNAVACA PLANT**

Industrias Quimicas Falcon De Mexico S.A. de C.V.  
Carretera Federal Cuernavaca-Cuautla  
KM 4.5 CIVAC, Jiutepec  
Morelos, Mexico 62578

**DR. REDDY'S LABORATORIES (UK) LIMITED**

6, Riverview Road  
Beverly, East Yorkshire  
HU 17 OLD, United Kingdom

**API MIRFIELD PLANT**

Dr. Reddy's Laboratories (EU) Ltd.  
Steanard Lane  
Mirfield, West Yorkshire,  
WF 14, 8HZ  
United Kingdom

**FORMULATIONS SHREVEPORT PLANT**

Dr. Reddy's Laboratories Louisiana LLC  
8800 Line Avenue  
Shreveport  
Louisiana 71106  
USA

**FORMULATIONS BRISTOL PLANT**

Dr. Reddy's Laboratories Tennessee LLC  
P.O. Box 9002  
201 Industrial Drive  
Bristol, Tennessee 37621-9002  
USA

**API FORMULATIONS MIDDLEBURGH PLANT**

Dr. Reddy's Laboratories New York Inc.  
1974 Route 145, P.O. Box 500,  
Middleburgh, New York 12122, USA

**RESEARCH AND DEVELOPMENT FACILITIES - OUTSIDE INDIA****TECHNOLOGY DEVELOPMENT CENTRE CAMBRIDGE**

Chirotech Technology Limited  
410 Cambridge Science Park,  
Milton Road, Cambridge  
CB4 0PE, United Kingdom

**TECHNOLOGY DEVELOPMENT CENTRE LEIDEN**

Octopus N.V.  
Zernikedreef 12, 2333 CL Leiden,  
The Netherlands

**BRUNSWICK RESEARCH CENTER, PRINCETON**

2031 US Highway 130. Unit D  
Monmouth Junction  
New Jersey 08852  
USA

**TECHNOLOGY DEVELOPMENT CENTRE PRINCETON**

303, College Road East, Princeton  
New Jersey 085450  
USA





# Five Years at a Glance

	(₹ MILLION)				
YEAR ENDING MARCH 31	2016	2015	2014	2013	2012
<b>INCOME STATEMENT DATA</b>					
Revenues	154,708	148,189	132,170	116,266	96,737
Cost of revenues	62,427	62,786	56,369	55,687	43,432
<b>Gross profit</b>	<b>92,281</b>	<b>85,403</b>	<b>75,801</b>	<b>60,579</b>	<b>53,305</b>
as a % of revenues	59.6	57.6	57.4	52.1	55.1
<b>OPERATING EXPENSES</b>					
Selling, general and administrative expenses*	45,702	42,585	38,783	34,272	29,907
Research and development expenses	17,834	17,449	12,402	7,674	5,911
Other operating (income)/expenses, net	(874)	(917)	(1,416)	(2,479)	(765)
<b>Total operating expenses</b>	<b>62,662</b>	<b>59,117</b>	<b>49,769</b>	<b>39,467</b>	<b>35,053</b>
<b>Operating income</b>	<b>29,619</b>	<b>26,286</b>	<b>26,032</b>	<b>21,112</b>	<b>18,252</b>
as a % of revenues	19.1	17.7	19.7	18.2	18.9
<b>FINANCE COSTS, NET</b>					
Finance income	2,251	2,774	1,674	1,478	1,227
Finance expenses	(4,959)	(1,092)	(1,274)	(1,018)	(1,067)
<b>Finance (expense)/income, net</b>	<b>(2,708)</b>	<b>1,682</b>	<b>400</b>	<b>460</b>	<b>160</b>
Share of profit of equity accounted investees, net of income tax	229	195	174	104	54
<b>Profit before income tax</b>	<b>27,140</b>	<b>28,163</b>	<b>26,606</b>	<b>21,676</b>	<b>18,466</b>
Income tax benefit/(expense)	(7,127)	(5,984)	(5,094)	(4,900)	(4,204)
<b>Profit for the year</b>	<b>20,013</b>	<b>22,179</b>	<b>21,512</b>	<b>16,776</b>	<b>14,262</b>
as a % of revenues	12.9	15.0	16.3	14.4	14.7
<b>EARNINGS PER SHARE (₹)</b>					
- Basic	117.3	130.2	126.5	98.8	84.2
- Diluted	117.0	129.7	126.0	98.4	83.8
Dividend declared per share(₹)	20.0	20.0	18.0	15.0	13.8
<b>BALANCE SHEET DATA</b>					
Cash and cash equivalents, net of bank overdraft	4,921	5,394	8,451	5,054	7,379
Operating working capital**	58,584	55,624	46,526	41,710	35,189
Total assets	207,650	194,762	170,223	142,369	119,477
Total long-term debt, excluding current portion	10,685	14,307	20,740	12,625	16,335
Total stockholders' equity	128,336	111,302	90,801	72,805	57,287
<b>ADDITIONAL DATA</b>					
<b>NET CASH PROVIDED BY/(USED IN):</b>					
Operating activities	41,247	25,033	19,463	13,317	16,150
Investing activities	(20,423)	(22,904)	(16,620)	(13,944)	(18,665)
Financing activities	(17,001)	(4,118)	(217)	(1,792)	3,735
Effect of exchange rate changes on cash and cash equivalents	(4,296)	(1,068)	771	94	499
Expenditure on property, plant and equipment & intangibles	(14,875)	(15,327)	(10,627)	(7,336)	(8,585)

Notes:

\* Includes impairment of goodwill and other intangibles and reversal of impairment. Figures are restated for previous years.

\*\* Operating working capital = Trade receivables + Inventories - Trade payables.

All figures are based on IFRS consolidated financial statements.



# Key Financial Ratios

YEAR ENDING MARCH 31	2016	2015	2014	2013	2012
<b>PROFITABILITY RATIOS</b>					
EBITDA margin %	23%	24%	25%	24%	26%
Gross Margin %	60%	58%	57%	52%	55%
- Global Generics	66%	65%	66%	59%	63%
- PSAI	22%	22%	20%	32%	32%
Adjusted PAT* margin %	13%	15%	16%	15%	16%
<b>ASSET PRODUCTIVITY RATIOS</b>					
Fixed Asset Turnover	3.0	3.2	3.2	3.3	3.1
Total Assets Turnover	0.8	0.8	0.8	0.9	0.9
<b>WORKING CAPITAL RATIOS</b>					
Working Capital Days	193	198	188	157	162
Inventory Days	149	145	152	131	146
Debtors Days	99	95	86	85	87
Creditor Days	55	42	50	59	71
<b>GEARING RATIOS</b>					
Net Debt/Equity	(0.05)	0.03	0.12	0.20	0.24
<b>VALUATION RATIOS</b>					
Earnings per share (₹)	117.0	129.7	126.0	98.4	83.8
Book Value per share (₹)	750	651	532	427	337
Dividend Payout	17.1%	15.4%	14.3%	15.2%	16.4%
Trailing Price/Earnings Ratio	25.9	26.9	20.3	17.9	19.6

**Notes:**

- (1) Fixed Asset Turnover: Net Sales/Avg Net Fixed Assets (Property, plant and equipment).
- (2) Total Asset Turnover: Net Sales/Avg Total Assets
- (3) Working Capital Days: Inventory Days + Receivable Days - Payable Days
- (4) Inventory Days: Average of closing balances as on 30 September and 31 March of the corresponding financial year/Cost of Revenue for trailing 6 months \* Number of days in 6 months
- (5) Receivable Days: Calculated using the count-back method
- (6) Payable Days: Average of closing Trade Payables net of capital advances as on 31 December and 31 March of the corresponding financial year/Material cost of trailing 3 months \* Number of days in 3 months
- (7) Book Value per share: Equity/Outstanding equity shares
- (8) Dividend Payout: DPS/EPS
- (9) Trailing price: Closing share price on the last working day of March

\* PAT adjusted for major non-cash impairment charge and other non-recurring costs

All figures are based on IFRS consolidated financial statements.

# Board's Report



Dear Members,

Your Directors are pleased to present the 32nd annual report for the year ended 31 March 2016.

## FINANCIAL HIGHLIGHTS

**Table 1** gives the financial highlights of the Company for FY2016 as compared to the previous financial year, on Indian GAAP consolidated and standalone basis.

## COMPANY AFFAIRS

The Company's standalone net revenue for the year was ₹ 104.53 billion, up 2% over the previous year. In US\$ terms, this amounted to \$1.58 billion. Profit before taxes (PBT) was ₹ 15.80 billion, a decline of 23% over the previous year. In US\$ terms, this translates into \$238 million.

The Company's consolidated net revenue for the year was ₹ 159.67 billion, up 4% over the previous year. In US\$ terms, this amounted to \$2.4 billion. PBT was ₹ 26.75 billion, a decline of 8% over the previous year. In US\$ terms, this translates into \$404 million.

Revenue from Global Generics increased by 7% and stood at ₹ 128.06 billion, driven largely by North America, Europe and India.

Revenue from North America grew by 19% turning in ₹ 75.45 billion. This growth was largely driven by sustained performance by injectable franchise and market share gains in some of the key molecules. During the year, the Company launched 4 products namely esomeprazole, memantine, pramipexole ER and pravastatin. FY2016 also saw 14 product filings in the USA; 13 Abbreviated New Drug Applications (ANDAs) and 1 New Drug Application (NDA). Cumulatively, 82 generic filings (79 ANDAs and 3 NDAs under 505(b)(2) route) are currently awaiting approval from the U.S. Food and Drug Administration (USFDA). Of these 79 ANDAs, 52 are Para IVs, out of which the Company believes 18 are potentially 'First-to-File' status.

Revenue from Emerging Markets was ₹ 23.59 billion, decline of 25% on a year-on-year basis. Revenue from India stood at ₹ 21.29 billion, registering a year-on-year growth of 19%.

Revenues from PSAI stood at ₹ 22.38 billion, decline of 12% on a year-on-year basis. During the year, 50 Drug Master

Files (DMFs) were filed globally, including 8 in the US, 3 in Europe and 39 in other markets. The cumulative number of DMF filings as on 31 March 2016 was 768.

## DIVIDEND

Your Directors are pleased to recommend a dividend of ₹ 20/- per equity share of ₹ 5/- (400%) for FY2016. The dividend, if approved at the 32nd Annual General Meeting (AGM), will be paid to those shareholders whose names appear on the Register of Members of the Company as of the end of the day on 19 July 2016.

## TRANSFER TO RESERVES

The Company proposes to transfer ₹ 1,355 million to the General Reserve.

## SHARE CAPITAL

The paid-up share capital of the Company increased by ₹ 1.13 million to ₹ 853.04 million in FY2016, due to the allotment of 226,479 equity shares, on exercise of stock options by eligible employees of Dr. Reddy's, through the 'Employees Stock Option Scheme, 2002' and 'Dr. Reddy's Employees ADR Stock Option Scheme, 2007'.

## FIXED DEPOSITS

The Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013. Accordingly,

TABLE 1	FINANCIAL HIGHLIGHTS		(₹ MILLION)	
	CONSOLIDATED		STANDALONE	
	FY2016	FY2015	FY2016	FY2015
Total revenue	159,671	152,974	104,525	102,338
Profit before depreciation, amortisation and tax	36,456	36,595	22,291	25,501
Depreciation and amortisation	9,705	7,599	6,491	4,902
Profit before tax	26,751	28,996	15,800	20,599
Tax expense	5,237	5,632	2,255	3,805
<b>Net profit for the year</b>	<b>21,514</b>	<b>23,364</b>	<b>13,545</b>	<b>16,794</b>
Add: Surplus at the beginning of the year	57,467	39,890	67,619	56,599
<b>Total available for appropriation</b>	<b>78,981</b>	<b>63,254</b>	<b>81,164</b>	<b>73,393</b>
<b>Appropriations:</b>				
Proposed dividend on equity shares	3,405	3,408	3,405	3,408
Tax on proposed dividend	693	694	693	694
Credit of dividend distribution tax	-	-	(32)	(13)
Dividend of previous years (including tax)	5	6	5	6
Transfer to General Reserve	1,355	1,679	1,355	1,679
Balance carried forward	73,523	57,467	75,738	67,619

Note: FY2016 represents fiscal year 2015-16, from 1 April 2015 to 31 March 2016, and analogously for FY2015 and other such labeled years.

no disclosure or reporting is required in respect of details relating to deposits covered under this Chapter.

### 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.

However, during the year, the Company adopted a new set of Articles of Association in substitution, and to entire exclusion of the regulations contained in the existing Articles of Association of the Company. This was primarily done to align the Articles with the new Companies Act, 2013 and rules thereunder.

### MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY

Given the Company's strong cash flow position, its Board of Directors at a meeting held on 17 February 2016, approved a proposal to buyback equity shares of the Company, subject to approval by the shareholders, for an aggregate amount not exceeding ₹ 15.69 billion, at a price not exceeding ₹ 3,500 per share. The buyback is open to all shareholders including those who become shareholders by cancelling their American Depository Receipts and receiving underlying equity shares, but excludes the promoters and promoter group of the Company. The buyback is being conducted under the open market route according to the provisions given in the SEBI (Buy Back of Securities) Regulations, 1998.

The Maximum Buyback price represents 18.6% premium, compared to the average of the weekly high and low of the closing share price of the Company during the last two weeks up to 16 February 2016. Subsequently, the Company received the requisite approval from shareholders on 1 April 2016 and the buyback process is in progress. The Company has bought and extinguished 350,000 fully paid up equity shares for an aggregate amount of ₹ 1.09 billion up to the date of this report.

### SUBSIDIARIES AND ASSOCIATES

The Company has 52 subsidiaries and 3 joint venture companies as on 31 March 2016. During FY2016,

Dr. Reddy's Laboratories Japan KK, Japan and Reddy Pharma SAS, France have become subsidiary companies and DRES Energy Private Limited has become a joint venture company. Further, Reddy Specialties GmbH ceased to be a subsidiary of the Company, upon its merger with Reddy Holding GmbH.

As per Section 129(3) of the Companies Act, 2013, where the Company has one or more subsidiaries, it shall, in addition to its financial statements, prepare a consolidated financial statement of the Company and of all the subsidiaries 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.

In accordance with the above, the consolidated financial statement of the Company and all its subsidiaries and joint ventures, prepared in accordance with Accounting Standard 21 and 27 as specified in the Companies (Accounts) Rules, 2014, form part of the annual report. Further, a statement containing the salient features of the financial statements of our subsidiaries and joint ventures in the prescribed Form AOC-1, is attached as **Annexure I** to the Board's Report. This statement also provides the details of the performance and financial position of each subsidiary.

In accordance with Section 136 of the Companies Act, 2013, the audited financial statements and related information of the subsidiaries, where applicable, will be available for inspection during regular business hours at our registered office in Hyderabad, India. These are also available on Company's website [www.drreddys.com](http://www.drreddys.com).

### PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The Company makes investments or extends loans/guarantees to its wholly owned subsidiaries for their business purpose. Details of loans, guarantees and investments covered under Section 186 of the Companies Act, 2013, along with the purpose for which such loan or guarantee is proposed to be utilized by the recipient, form part of the notes to the financial statements provided in this annual report.

### CORPORATE GOVERNANCE AND ADDITIONAL SHAREHOLDERS' INFORMATION

A detailed report on the corporate governance systems and practices of the Company is given in a separate chapter of this annual report. Similarly, other detailed information for shareholders is provided in the chapter *Additional Shareholders' Information*.

A certificate from the Auditors of the Company confirming compliance with the conditions of corporate governance is attached to the report on corporate governance.

### MANAGEMENT DISCUSSION AND ANALYSIS

A detailed report on the *Management Discussion and Analysis* in terms of the provisions of Regulation 34 of the SEBI (Listing Regulations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), is provided as a separate chapter in the annual report.

### BOARD OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

The term of Dr. J P Moreau as an Independent Director of the Company ended on 31 July 2015. The Board places on record its appreciation for the services rendered by Dr. J P Moreau, during his tenure as a member of the Board and its Committees.

During the year, the Board of Directors at its meeting held on 29 October 2015, had re-appointed Mr. G V Prasad as Whole-time Director designated as Co-Chairman, Managing Director and CEO of the Company, for a further period of five years with effect from 30 January 2016, subject to approval of the shareholders at the forthcoming 32nd AGM scheduled on 27 July 2016.

The Board of Directors appointed Mr. Bharat Narotam Doshi and Mr. Hans Peter Hasler as Additional Directors of the Company, categorized as Independent. The Board recommends appointment of Mr. Doshi and Mr. Hasler as Independent Directors under Section 149 of the Companies Act, 2013 for a term of five years each, with effect from 11 May 2016 and 17 June 2016, respectively for approval of the shareholders at the forthcoming 32nd AGM.



In accordance with Section 149(7) of the Companies Act, 2013, each Independent Director has confirmed to the Company that he or she meets the criteria of independence as laid down in Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of the Listing Regulations.

Mr. K Satish Reddy, retires by rotation at the forthcoming 32nd AGM and being eligible, seeks re-appointment.

Brief profiles of Mr. G V Prasad, Mr. Bharat Narotam Doshi, Mr. Hans Peter Hasler and Mr. K Satish Reddy are given in the *Corporate Governance* section of the annual report and notice convening the 32nd AGM, for reference of the shareholders.

### BOARD EVALUATION

As per provisions of the Companies Act, 2013 and Regulation 17(10) of the Listing Regulations, an evaluation of the performance of the Board and members was undertaken. The evaluation process was carried out internally in FY2016, each Board member completed a questionnaire on the other Board members for peer evaluation and a questionnaire to provide feedback on Board, its Committees and their functioning. The contribution and impact of individual Directors were reviewed through a peer evaluation on parameters such as level of engagement and participation, flow of information, independence of judgment, conflicts resolution and their contribution in enhancing the Board's overall effectiveness. A 360 degrees feedback-cum-assessment of individual Directors, the functioning of the Board as a whole and its Committees was conducted. The peer ratings on certain parameters, positive attributes and improvement areas for each Board member was also provided to them in a confidential manner. The feedback obtained from the interventions was discussed in detail and, where required, independent and collective action points for improvement were put in place.

### APPOINTMENT OF DIRECTORS AND REMUNERATION POLICY

The assessment and appointment of members to the Board is based on a combination of criterion that includes ethics, personal and professional stature, domain expertise, gender diversity and specific qualifications required for the position. The potential Board member is also assessed on the basis of independence criteria as

defined in Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of the Listing Regulations.

In accordance with Section 178(3) of the Companies Act, 2013, Regulation 9(4) of the Listing Regulations and on recommendations of the Nomination, Governance & Compensation Committee, the Board adopted a Remuneration Policy for Directors, Key Managerial Personnel (KMPs) and senior management. The policy is attached as an annexure to the *Corporate Governance* report.

### NUMBER OF BOARD MEETINGS

The Board of Directors met six times during the year. In addition, an annual Board Retreat was held to discuss strategic matters. Details of Board meetings are laid out in *Corporate Governance* report, which forms a part of this annual report.

### AUDIT COMMITTEE

The Audit Committee of the Board of Directors consists entirely of Independent Directors. Presently, the Committee comprises of Mr. Sridar Iyengar (Chairman), Mr. Ravi Bhoothalingam, Ms. Kalpana Morparia, Dr. Omkar Goswami and Mr. Bharat Narotam Doshi (effective 11 May 2016).

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

### BUSINESS RISK MANAGEMENT

The Company has a Risk Management Committee of the Board, consisting entirely of Independent Directors. The details of the Committee and its terms of reference are set out in the *Corporate Governance* section, which forms a part of the Board's report.

The Audit and Risk Management Committees review the key elements of the Company's business, finance, operations and compliance risk(s) and respective mitigation strategies. The Risk Management Committee reviews key strategic, business, compliance and operational risks, while issues around ethics & fraud, Internal Control over Financial Reporting (ICFR), as well as process risks and their mitigation are reviewed by the Audit Committee.

The Company's 'Finance Investment and Risk Management Council'

(FIRM Council) is a management level committee which operates under a charter and focusses on risks associated with the Company's business and investments. The FIRM Council and management, periodically review matters pertaining to ethics & fraud, compliance and internal audit. Additionally, the Enterprise-wide Risk Management (ERM) function helps the management and the Board to periodically prioritise, review and measure business risks against a pre-determined risk appetite and to suitably respond, depending on whether the risks are internal, strategic or external.

During FY2016, focus areas of the management and the Board included progress on strategy execution, quality and regulatory, geo-political, compliance and patent infringement risk exposures, while safety and health continued to remain a priority for the Company.

### ADEQUACY OF INTERNAL FINANCIAL CONTROL SYSTEMS

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.

### DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 134(5) of the Companies Act, 2013 ('the Act'), 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. Judgments and estimates made are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the FY2016 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;
5. adequate internal financial controls for the Company to follow, have

- been laid down and these are operating effectively; and
6. proper and adequate systems have been devised to ensure compliance with the provisions of all applicable laws and these systems are operating effectively.

### 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 II**. 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 in this annual report.

### VIGIL MECHANISM/WHISTLE-BLOWER POLICY

The Company has an Ombudsperson policy (Vigil Mechanism/Whistle-Blower) to report concerns. Accordingly, the Vigil Mechanism consists of a hotline (both email ID and phone number) to report concerns. The Company's Ombudsperson policy outlines provisions to safeguard persons, who use this mechanism, from victimization. An Audit Committee member is the Chief Ombudsperson. The policy also provides access to the chairperson of the Audit Committee under certain circumstances. The details of the procedure are also available on the Company's website [www.drreddys.com/media/211046/cobe\\_booklet.pdf](http://www.drreddys.com/media/211046/cobe_booklet.pdf)

### AUDITORS STATUTORY AUDITORS

M/s. B S R & Co. LLP, Chartered Accountants (Firm Registration No. 101248W/W-100022) were first appointed as auditors at Company's 18th AGM held on 26 August 2002. Currently, they are holding office of the auditors up to the conclusion of the 32nd AGM.

As per second proviso to Section 139(2) of the Companies Act, 2013, (the Act), a transition period of three years from the commencement of the Act is provided to appoint a new auditor if the existing auditor's firm has completed two terms of five consecutive years.

Accordingly, as per the said requirements of the Act, M/s. S R Batliboi & Associates LLP, Chartered Accountants (Firm Registration No. 101049W/E300004) are proposed to be appointed as auditors for a period of 5 years commencing from the conclusion of 32nd AGM till the conclusion of the 37th AGM, subject to ratification by shareholders every year, as may be applicable, in place of M/s. B S R & Co. LLP, Chartered Accountants.

M/s. S R Batliboi & Associates LLP, Chartered Accountants, have consented to the said appointment, and confirmed that their appointment, if made, would be within the limits specified under Section 141(3)(g) of the Act. 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.

The Audit Committee and the Board of Directors recommend the appointment of M/s. S R Batliboi & Associates LLP, Chartered Accountants, as statutory auditors of the Company from the conclusion of the 32nd AGM till the conclusion of 37th AGM, to the shareholders.

### SECRETARIAL AUDITOR

Pursuant to Section 204 of the Companies Act, 2013 and the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, Dr. K R Chandratre, Practicing Company Secretary (Membership No. FCS 1370 and Certificate of Practice No. 5144) was appointed to conduct the secretarial audit of the Company for FY2016. The secretarial audit report for FY2016 is attached as **Annexure III**.

Based on the consent received from Dr. K R Chandratre, Practicing Company Secretary and on the recommendations of the Audit Committee, the Board has appointed Dr. K R Chandratre, Practicing Company Secretary, as secretarial auditor of the Company for FY2017.

### COST AUDITORS

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 and the Companies (Cost Records and Audit) Amendment

Rules, 2014, the Company maintains the cost audit records in respect of its pharmaceutical business. Your Board has, on the recommendation of the Audit Committee, appointed M/s. Sagar & Associates, Cost Accountants (Firm Registration No. 000118) as cost auditors of the Company for the FY2017 at a remuneration of ₹ 7 lacs plus reimbursement of out of pocket expenses at actuals and applicable taxes. The provisions also require that the remuneration of the cost auditors be ratified by the shareholders.

As a matter of record, relevant cost audit reports for FY2015 were filed on 29 September 2015, within the stipulated timeline. The cost audit report for FY2016 will be filed with the Central Government within the stipulated timeline.

### 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 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 COURTS/REGULATORS

During FY2016, the Company received a warning letter dated 5 November 2015 from the USFDA relating to cGMP deviations at its API manufacturing facilities at Srikakulam, Andhra Pradesh and Miryalaguda, Telangana, as well as its oncology formulation manufacturing facility at Duvvada, Visakhapatnam, Andhra Pradesh, following inspections of these sites by the USFDA in November 2014, January 2015 and February-March 2015, respectively. The warning letter does not restrict production or shipment of Company's products from these facilities. However, unless and until the Company correct these outstanding issues to the USFDA's satisfaction, the USFDA may withhold approval of the Company's new products and new drug applications, refuse admission of products manufactured at these facilities into the US and/or take additional

regulatory/legal action. Any such action may have a material and negative impact on Company's ongoing business and operations.

The Company continue to develop and implement corrective action plans relating to the warning letter. The response to the warning letter was submitted on 7 December 2015 and further updates on the progress of the corrective actions were provided to the USFDA in January 2016, March 2016 and May 2016.

Apart from the above, there were no significant and/or material orders, passed by any Court or Regulator or Tribunal, which may impact the going concern status or the Company's operations in future.

### **INFORMATION REQUIRED UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013**

The Company has an Apex Complaints Committee and Internal Complaints Committees (ICCs) which operates under a defined Redressal System for complaints pertaining to Sexual Harassment of Women at Workplace.

The details of concerns raised and resolved regarding sexual harassment of women at the workplace are available in the Principle 3 under Section 7 of the *Business Responsibility Report*.

### **CORPORATE SOCIAL RESPONSIBILITY INITIATIVES**

As per Section 135 of the Companies Act, 2013, the Company has a Corporate Social Responsibility (CSR) Committee of its Board of Directors. The Committee comprises of Mr. Ravi Bhoothalingam (Chairman), Mr. G V Prasad and Mr. K Satish Reddy.

During the year, the Committee monitored the implementation and adherence to the CSR policy. The CSR policy provides a constructive framework to review and organize our social outreach programs in the areas of health, livelihood and education. The policy enables a deeper understanding of outcome-focused social development through diverse collaborations.

Details about the CSR policy and initiatives taken by the Company during the year are available on Company's website [www.drreddys.com](http://www.drreddys.com). The report on CSR activities of the Company is attached as **Annexure IV**.

### **BUSINESS RESPONSIBILITY REPORT**

A detailed *Business Responsibility Report* in terms of the provisions of Regulation 34 of the Listing Regulations, is available as a separate section in this annual report.

### **TRANSFER OF UNPAID AND UNCLAIMED AMOUNTS TO INVESTOR EDUCATION AND PROTECTION FUND (IEPF)**

Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, the declared dividends, which remained unpaid or unclaimed for a period of seven years, have been transferred by the Company to the IEPF established by the Central Government pursuant to Section 205C of the said Act.

### **EMPLOYEES STOCK OPTION SCHEMES**

During the year, there has been no material change in the 'Dr. Reddy's Employees Stock Option Scheme, 2002' and the 'Dr. Reddy's Employees ADR Stock Option Scheme, 2007' (both collectively referred as 'the Schemes'). The Schemes are in compliance with the SEBI (Share Based Employee Benefits) Regulations, 2014 and the details as required under the said Regulations are available on website [www.drreddys.com/pdf/ESOP\\_details.pdf](http://www.drreddys.com/pdf/ESOP_details.pdf)

The said details also form part of the note 2.30 of the Notes to the standalone financial statements.

### **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 V**.

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.

Considering the first proviso to Section 136(1) of the Companies Act, 2013, the annual report, excluding the aforesaid information, is being sent to the shareholders of the Company and others entitled thereto. The said information is available for inspection at the registered office of the Company during business hours on working days of the Company up to the date of the forthcoming 32nd AGM. Any shareholder interested in obtaining a copy thereof, may write to the Company Secretary in this regard.

### **CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

The particulars as prescribed under Section 134(3)(m) of the Companies Act, 2013, read with Rule 8(3) of the Companies (Accounts) Rules, 2014 are attached as **Annexure VI**.

### **EXTRACT OF THE ANNUAL RETURN**

The details forming part of the extract of the Annual Return in Form MGT-9 are attached as **Annexure VII**.

### **ACKNOWLEDGMENT**

Your Directors place on record their sincere appreciation for the significant contribution made by our employees through their dedication, hard work and commitment, as also for the trust reposed on us by the medical fraternity and patients. We also acknowledge the support extended to us by the analysts, bankers, government agencies, media, customers, suppliers, shareholders and investors at large. We look forward to continued support in our endeavor to accelerate access to innovative and affordable medicines because *Good Health Can't Wait*.

for and on behalf of the **Board of Directors**

**K Satish Reddy**  
Chairman

Place Hyderabad  
Date 12 May 2016

## 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

All amounts in Indian Rupees million, except share data and where otherwise stated

Sl. No.	Name of the Subsidiary	AS AT 31 MARCH 2016									FOR THE YEAR ENDED 31 MARCH 2016					
		Reporting Period for the Subsidiary	% of Shareholding	Reporting Currency	Exchange Rate	Share Capital	Reserves & Surplus	Other Liabilities	Total Equity and Liabilities	Total Assets	Investments (Excl. Investment in Subsidiaries)	Turnover	Profit/(Loss) Before Taxation	Provision for Taxation	Profit/(Loss) After Taxation	Proposed Dividend
1	Aurigen Discovery Technologies (Malaysia) SDN BHD	31.03.2016	100%	MYR	16.97	16	7	5	28	28	-	95	6	-	6	-
2	Aurigen Discovery Technologies Inc.	31.03.2016	100%	USD	66.26	257	(255)	2	4	4	-	-	(1)	-	(1)	-
3	Aurigen Discovery Technologies Limited	31.03.2016	100%	INR	1.00	905	236	2,459	3,600	3,600	1,452	1,781	376	135	241	181
4	beta Institut gemeinnutzige GmbH <sup>(4)</sup>	31.03.2016	100%	EUR	75.40	5	1	1	7	7	-	-	-	-	-	-
5	betapharm Arzneimittel GmbH <sup>(4)</sup>	31.03.2016	100%	EUR	75.40	60	8	6,747	6,815	6,815	-	9,699	2	-	2	-
6	Chemisor Investments Limited	31.03.2016	100%	INR	1.00	1	-	-	1	1	-	-	-	-	-	-
7	Chienna B.V. <sup>(3)</sup>	31.03.2016	100%	EUR	75.40	1	(933)	1,369	437	437	-	-	(155)	-	(155)	-
8	Chirotech Technology Limited	31.03.2016	100%	GBP	95.47	1,060	(297)	217	980	980	-	1,262	457	65	392	-
9	Dr. Reddy's Bio-Sciences Limited	31.03.2016	100%	INR	1.00	540	(167)	84	457	457	-	-	(11)	-	(11)	-
10	Dr. Reddy's Farmaceutica Do Brasil Ltda.	31.03.2016	100%	BRL	18.48	785	(1,032)	340	93	93	-	154	18	18	-	-
11	Dr. Reddy's Laboratories (Australia) Pty. Limited	31.03.2016	100%	AUD	50.98	35	(496)	898	437	437	-	577	(53)	90	(143)	-
12	Dr. Reddy's Laboratories (Canada) Inc.	31.03.2016	100%	CAD	51.23	-	(46)	153	107	107	-	78	(1)	-	(1)	-
13	Dr. Reddy's Laboratories (EU) Limited	31.03.2016	100%	GBP	95.47	723	1,851	382	2,956	2,956	-	1,783	1,429	156	1,273	-
14	Dr. Reddy's Laboratories (Proprietary) Limited	31.03.2016	100%	ZAR	4.50	-	182	559	741	741	-	1,164	71	16	55	-
15	Dr. Reddy's Laboratories (UK) Limited	31.03.2016	100%	GBP	95.47	-	1,515	691	2,206	2,206	-	3,321	735	139	596	-
16	Dr. Reddy's Laboratories Inc. <sup>(1)</sup>	31.03.2016	100%	USD	66.26	580	9,163	43,406	53,149	53,149	-	75,719	2,645	337	2,308	-
17	Dr. Reddy's Laboratories International SA	31.03.2016	100%	CHF	68.98	275	3	1	279	279	-	-	3	-	3	-
18	Dr. Reddy's Laboratories Japan KK	31.03.2016	100%	JPY	58.99 <sup>(2)</sup>	14	(1)	-	13	13	-	-	(1)	-	(1)	-
19	Dr. Reddy's Laboratories LLC, Ukraine	31.03.2016	100%	UAH	2.53	71	426	674	1,171	1,171	-	1,185	362	75	287	-
20	Dr. Reddy's Laboratories Louisiana LLC <sup>(1)</sup>	31.03.2016	100%	USD	66.26	-	8,561	742	9,303	9,303	-	6,031	1,554	-	1,554	-
21	Dr. Reddy's Laboratories New York, Inc.	31.03.2016	100%	USD	66.26	-	3	1,408	1,411	1,411	-	-	(788)	-	(788)	-
22	Dr. Reddy's Laboratories Romania SRL	31.03.2016	100%	RON	16.87	24	134	29	187	187	-	408	59	12	47	-
23	Dr. Reddy's Laboratories SA	31.03.2016	100%	CHF	68.98	5,027	35,283	5,952	46,262	46,262	-	16,352	1,558	298	1,260	-



All amounts in Indian Rupees million, except share data and where otherwise stated

SL. NO.	NAME OF THE SUBSIDIARY	AS AT 31 MARCH 2016										FOR THE YEAR ENDED 31 MARCH 2016				
		REPORTING PERIOD FOR THE SUBSIDIARY	% OF SHAREHOLDING	REPORTING CURRENCY	EXCHANGE RATE	SHARE CAPITAL	RESERVES & SURPLUS	OTHER LIABILITIES	TOTAL EQUITY AND LIABILITIES	TOTAL ASSETS	INVESTMENTS (EXCL. INVESTMENT IN SUBSIDIARIES)	TURNOVER	PROFIT/(LOSS) BEFORE TAXATION	PROVISION FOR TAXATION	PROFIT/(LOSS) AFTER TAXATION	PROPOSED DIVIDEND
24	Dr. Reddy's Laboratories SAS	31.03.2016	100%	COP	0.02	49	(27)	26	48	48	-	-	(27)	-	(27)	-
25	Dr. Reddy's Laboratories Tennessee, LLC <sup>(1)</sup>	31.03.2016	100%	USD	66.26	1,120	(2,181)	1,791	730	730	-	440	(597)	-	(597)	-
26	Dr. Reddy's New Zealand Limited	31.03.2016	100%	NZD	45.97	-	47	31	78	78	-	77	14	-	14	-
27	Dr. Reddy's Pharma SEZ Limited	31.03.2016	100%	INR	1.00	1	(1)	-	-	-	-	-	-	-	-	-
28	Dr. Reddy's Singapore PTE. LTD.	31.03.2016	100%	SGD	49.27	25	12	1	38	38	-	28	8	1	7	-
29	Dr. Reddy's Srl	31.03.2016	100%	EUR	75.40	6	(930)	954	30	30	-	21	(27)	-	(27)	-
30	Dr. Reddy's Venezuela, C.A.	31.03.2016	100%	VEF	6.63 <sup>(5)</sup>	58	(4,068)	4,175	165	165	-	4,668	(4,493)	18	(4,511)	-
31	DRL Impex Limited	31.03.2016	100%	INR	1.00	660	(760)	114	14	14	-	-	(18)	2	(20)	-
32	Euro Bridge Consulting B.V.	31.03.2016	100%	EUR	75.40	37	114	2	153	153	-	-	(3)	-	(3)	-
33	Idea2Enterprises (India) Private Limited	31.03.2016	100%	INR	1.00	24	1,422	4	1,450	1,450	-	-	-	-	-	-
34	Industrias Quimicas Falcon De Mexico, S.A. de C.V.	31.03.2016	100%	MXN	3.84	594	(382)	3,279	3,491	3,491	-	3,948	230	75	155	-
35	Kunshan Rotam Reddy Pharmaceutical Company Limited	31.03.2016	51.33%	RMB	10.26	791	1,336	1,063	3,190	3,190	-	4,215	633	190	443	-
36	Lacock Holdings Limited	31.03.2016	100%	EUR	75.40	1	168	23	192	192	-	-	(1)	-	(1)	-
37	OctoPlus B.V. <sup>(3)</sup>	31.03.2016	100%	EUR	75.40	451	751	2,496	3,698	3,698	-	-	19	-	19	-
38	Octoplus Development B.V. <sup>(3)</sup>	31.03.2016	100%	EUR	75.40	1	2,315	492	2,808	2,808	-	1,408	713	-	713	-
39	OctoPlus PolyActive Sciences B.V. <sup>(3)</sup>	31.03.2016	100%	EUR	75.40	1	-	-	1	1	-	-	-	-	-	-
40	OctoPlus Sciences B.V. <sup>(3)</sup>	31.03.2016	100%	EUR	75.40	1	50	88	139	139	-	-	(24)	-	(24)	-
41	OctoPlus Technologies B.V. <sup>(3)</sup>	31.03.2016	100%	EUR	75.40	1	(3,819)	3,820	2	2	-	-	(324)	-	(324)	-
42	OctoShare B.V. <sup>(2)</sup>	31.03.2016	100%	EUR	75.40	2	704	914	1,620	1,620	-	-	(122)	-	(122)	-
43	OOO Dr. Reddy's Laboratories Limited	31.03.2016	100%	RUB	0.99	72	2,009	7,234	9,315	9,315	-	12,806	205	48	157	-
44	OOO DRS LLC	31.03.2016	100%	RUB	0.99	30	106	87	223	223	-	-	2	-	2	-
45	Promius Pharma LLC <sup>(1)</sup>	31.03.2016	100%	USD	66.26	1,713	(9,556)	9,308	1,465	1,465	-	1,287	(2,518)	-	(2,518)	-
46	Reddy Antilles N.V.	31.03.2016	100%	USD	66.26	52	(196)	363	219	219	-	-	(22)	-	(22)	-
47	Reddy Cheminor S.A. (under liquidation)	31.03.2016	100%	EUR	75.40	2	(2)	-	-	-	-	-	-	-	-	-
48	Reddy Holding GmbH <sup>(4)</sup>	31.03.2016	100%	EUR	75.40	2	17,282	9,916	27,200	27,200	-	-	5,041	1,265	3,776	-
49	Reddy Netherlands B.V.	31.03.2016	100%	EUR	75.40	7	2,751	53	2,811	2,811	-	-	205	5	200	-
50	Reddy Pharma Iberia SA	31.03.2016	100%	EUR	75.40	566	(511)	4	59	59	-	17	3	-	3	-
51	Reddy Pharma Italia S.R.L.	31.03.2016	100%	EUR	75.40	63	(179)	1,187	1,071	1,071	-	-	(8)	-	(8)	-
52	Reddy Pharma SAS	31.03.2016	100%	EUR	75.40	36	(19)	6	23	23	-	-	(19)	-	(19)	-
53	Reddy Specialities GmbH <sup>(4)</sup> (till 21 November 2015)	31.03.2016	100%	EUR	75.40	-	-	-	-	-	-	-	-	-	-	-

<sup>(1)</sup> Tax expense for these entities is computed together as per the tax laws of United States. The total tax expense is presented in Sl. No. 16 - Dr. Reddy's Laboratories Inc.

<sup>(2)</sup> Per 100 JPY.

<sup>(3)</sup> Tax expense for these entities is computed together as per the tax laws of Netherlands. The total tax expense is presented in Sl. No. 37 - OctoPlus B.V.

<sup>(4)</sup> Tax expense for these entities is computed together as per the tax laws of Germany. The total tax expense is presented in Sl. No. 48 - Reddy Holding GmbH.

<sup>(5)</sup> 6.63 ₹ per VEF is derived from the DIPRO rate of VEF 10 per US \$. The Company has used DICOM rate of VEF 273 per US \$ in the consolidated financial statements for translating Venezuelan subsidiary's net monetary assets.

**PART "B": ASSOCIATES AND JOINT VENTURES**

All amounts in Indian Rupees million, except share data and where otherwise stated

SL. NO.	NAME OF THE ASSOCIATES AND JOINT VENTURES	LATEST AUDITED BALANCE SHEET DATE	SHARES OF ASSOCIATES/ JOINT VENTURES HELD BY THE COMPANY ON THE YEAR END			NET WORTH ATTRIBUTABLE TO SHARE-HOLDING AS PER LATEST AUDITED BALANCE SHEET	PROFIT/LOSS FOR THE YEAR		DESCRIPTION OF HOW THERE IS A SIGNIFICANT INFLUENCE	REASON WHY THE ASSOCIATES/ JOINT VENTURE IS NOT CONSOLIDATED
			NO.	AMOUNT OF INVESTMENT IN ASSOCIATES/ JOINT VENTURE	EXTEND OF HOLDING %		CONSIDERED IN CONSOLIDATION	NOT CONSIDERED IN CONSOLIDATION		
1	DRANU LLC, USA	NA	NA	360	50%	-	(44)	-	NA	NA
2	DRSS Solar Power Private Limited, India <sup>(1)</sup>	31.03.2016	26,000	-	26%	-	-	-	NA	NA
3	DRES Energy Private Limited, India <sup>(1)</sup>	31.03.2016	260,000	3	26%	-	-	-	NA	NA

<sup>(1)</sup> DRSS Solar Power Private Limited and DRES Energy Private Limited are yet to commence operations.

for and on behalf of the Board of Directors of Dr. Reddy's Laboratories Limited

Place Hyderabad  
Date 12 May 2015

<b>K Satish Reddy</b>	Chairman
<b>G V Prasad</b>	Co-Chairman & Chief Executive Officer
<b>Saumen Chakraborty</b>	President & Chief Financial Officer
<b>Sandeep Poddar</b>	Company Secretary

**ANNEXURE - II  
FORM NO. AOC-2****(Pursuant to Clause (h) of sub-section (3) of Section 134 of the Companies Act, 2013 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: None

(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/arrangements/transactions including the value, if any	
(e)	Justification for entering into such contracts/arrangements/ 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	Dr. Reddy's Laboratories Inc., USA, wholly-owned subsidiary
(b)	Nature of contracts/arrangements/transactions	Transfer or receipt of products, goods, materials or services.
(c)	Duration of the contracts/arrangements/transactions	Ongoing.
(d)	Salient terms of the contracts/arrangements/transactions including the value, if any	Transfer or receipt of products, goods, materials or services on arm's length for an estimated amount of up to US\$ 1,100 million every financial year.
(e)	Date(s) of approval by the Board, if any	13 May 2014
(f)	Amount paid as advances, if any	-

**K Satish Reddy**  
Chairman

**ANNEXURE - III**  
**SECRETARIAL AUDIT REPORT**  
**FOR THE FINANCIAL YEAR ENDED**  
**31 MARCH 2016**

**(Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014)**

To  
 The Members,  
 Dr. Reddy's Laboratories Limited,  
 8-2-337, Banjara Hills, Road No. 3,  
 Hyderabad - 500 034.

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Dr. Reddy's Laboratories Limited (hereinafter called 'the Company'). Secretarial Audit was conducted in a manner that provided me a 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 authorized 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 31 March 2016 ('Audit Period') 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 31 March 2016 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 thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (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;
  - (b) The erstwhile Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, and 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, 2009 (**Not applicable to the Company during the Audit Period**);
  - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
  - (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;
  - (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.
- (vi) **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 following laws applicable specifically to the Company:
- (a) Drugs and Cosmetics Act, 1940 and Rules made thereunder; and
  - (b) Drugs Price Control Order, 2013 and notifications made thereunder.
- I have also examined compliance with the applicable clauses of the following:
- (i) Secretarial Standards issued by the Institute of Company Secretaries of India, effective from 1 July 2015; and
  - (ii) The erstwhile Listing Agreement entered into by the Company with stock exchanges and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations,

2015 notified with effect from 1 December 2015.

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

**I further report that** the Board of Directors of the Company is duly constituted with proper balance of Executive Directors and Independent Directors. 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.

Adequate notice is given to all directors to schedule the Board meetings, agenda and detailed notes on agenda were generally sent at least 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 were carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committees of the Board, as the case may be.

**I 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.

**I further report that** during the audit period:

- the Company has adopted a new set of Articles of Association aligned to the provisions of the Companies Act, 2013 and the rules thereunder, by passing a Special Resolution through postal ballot which concluded on 17 September 2015; and
- subject to the other required consents/approvals, the Board of Directors of the Company on 17 February 2016, has approved the buyback by the Company of its fully paid-up equity shares of ₹ 5/- each for an aggregate amount not exceeding ₹ 15,69,41,71,500/- and recommended a Special Resolution for the approval of the members through postal ballot.

**Dr. K R Chandratre**  
 FCS No. 1370  
 C P No. 5144

Place Pune  
 Date 12 May 2016

**ANNEXURE - IV****ANNUAL REPORT ON 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 Board has approved the CSR Policy of the Company. It can be viewed at [www.drreddys.com/media/125014/csr-policy.html](http://www.drreddys.com/media/125014/csr-policy.html)**

2. The composition of the CSR Committee:

**The CSR Committee was constituted by the Board of Directors at its meeting held on 31 October 2013. It comprises of Mr. Ravi Bhoothalingam (Independent Director) as Chairman, Mr. G V Prasad and Mr. K Satish Reddy.**

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

₹ 20,944,406,795

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

₹ 418,888,136

5. Details of CSR spent during the financial year:

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

₹ 418,888,136

- (b) Amount unspent, if any;

₹ 6,922,152

- (c) Manner in which the amount spent during FY2016 is detailed below:

(A)	(B)	(C)	(D)	(E)	(F)		(G)	(H)
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 WERE UNDERTAKEN	AMOUNT OUTLAY (BUDGET) PROJECT OR PROGRAM WISE FOR THE FY 2015-16	AMOUNT SPENT ON THE PROJECTS OR PROGRAMS		CUMULATIVE EXPENDITURE UP TO THE REPORTING PERIOD	AMOUNT SPENT: DIRECT OR THROUGH IMPLEMENTING AGENCY
					(1) DIRECT EXPENDITURE ON PROJECTS **	(2) OVERHEADS **		
1	DRF education programs	Education	In & around Hyderabad	30,000,000	30,698,300		30,698,300	Dr. Reddy's Foundation
2	Supporting and subsidizing quality education in low income schools	Education	In & around Hyderabad	38,000,000	38,000,000		38,000,000	Pudami Education Society
3	Quality Education program in Government Schools-SIP	Education	In vicinity of plant locations	46,609,760	46,400,384		46,400,384	Dr. Reddy's Foundation
4	School technology enablement	Education	In Telangana State	10,000,000	8,363,250		8,363,250	Dr. Reddy's Foundation
5	Support to Teach for India's Fellowship Program for empowering government schools	Education	In & around Hyderabad	25,990,240	25,990,240		25,990,240	Teach to Lead
6	Quality education outreach	Education	In Telangana State	825,000	1,275,251		1,275,251	Swadha Foundation, MITR Foundation and Direct
7	Quality education outreach	Education	In Telangana State	375,000	374,298		374,298	Dr. Reddy's Foundation
8	Supporting girl child for education through Nanhi Kali program	Education	States of Telangana & AP	500,000	115,200		115,200	K C Mahindra Trust
9	Initiatives for promoting education	Education	In vicinity of plant locations	1,300,000	1,379,965		1,379,965	Direct
10	Enabling higher education in Liberal Arts	Education	Gurgaon, Haryana	50,000,000	50,000,000		50,000,000	Ashoka University
11	Quality education in science	Education	In AP	1,000,000	2,591,200		2,591,200	Agastya International Foundation
12	Livelihood programs for youth & people with disability programs	Livelihood	Across India	129,600,000	125,884,850		125,884,850	Dr. Reddy's Foundation



(A) SL. NO.	(B) CSR PROJECT OR ACTIVITIES IDENTIFIED	(C) SECTOR IN WHICH THE PROJECT IS COVERED	(D) PROJECTS OR PROGRAMS (1) LOCAL AREA OR OTHER (2) SPECIFY THE STATE & DISTRICTS WHERE PROJECTS OR PROGRAMS WERE UNDERTAKEN	(E) AMOUNT OUTLAY (BUDGET) PROJECT OR PROGRAM WISE FOR THE FY 2015-16	(F) AMOUNT SPENT ON THE PROJECTS OR PROGRAMS		(G) CUMULATIVE EXPENDITURE UP TO THE REPORTING PERIOD	(H) AMOUNT SPENT: DIRECT OR THROUGH IMPLEMENTING AGENCY
					(1) DIRECT EXPENDITURE ON PROJECTS **	(2) OVERHEADS **		
13	Employment enhancing vocation skills and livelihood enhancement projects	Livelihood	In vicinity of plant locations	5,000,000	1,876,334		1,876,334	Direct
14	Farmer livelihood project	Livelihood	In AP	5,000,000	6,513,709		6,513,709	Naandi Foundation
15	Psychological health support	Health	In & around Hyderabad	1,800,000	1,915,000		1,915,000	Roshni Trust
16	Community health intervention program in maternal and child health	Health	In vicinity of plant locations	20,300,000	22,234,354		22,234,354	Nice Foundation
17	Water and sanitation	Health	States of Telangana & AP	8,100,000	1,941,225		1,941,225	Nadathur Trust and Direct
18	Medical camps	Health	States of Telangana & AP	900,000	161,741		161,741	Victory India National organisation and Isha Foundation
19	Capacity building of health service providers	Health	Across India	14,000,000	14,058,187		14,058,187	Dr. Reddy's Foundation-Health Education
20	Palliative care support	Health	Hyderabad	1,000,000	1,000,000		1,000,000	St. Jude India Child Care Centre
21	Water plants for 22 villages	Health	In vicinity of plant locations	4,400,000	-		-	NA
22	Conservation initiatives	Environmental sustainability		7,500,000	-		-	NA
23	Capacity building of social sector professionals	Leadership building	Across India	15,400,000	16,830,000		16,830,000	Acumen Fund Trust
24	Capacity building of social sector professionals	Leadership building	Across India	3,600,000	3,600,000		3,600,000	Naandi Foundation
25	Capacity building of social sector professionals	Leadership building	Hyderabad	840,000	840,000		840,000	Centre for Social Initiative and Management - Hyderabad
26	Rural development and infrastructure around units including road safety	Rural development and promotion of education	In vicinity of plant locations	200,000	1,828,117		1,828,117	Direct
27	CSR salaries and training	Capacity Building		5,000,000	8,153,665		8,153,665	NA
	<b>Total</b>			<b>427,240,000</b>	<b>412,025,270</b>		<b>412,025,270</b>	

\*\* For FY2016, the data on overhead are not separately accounted.

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's report:

**In FY2016, we targeted the implementation of all the budgeted projects. However, a small fraction of projects were shortened after field assessment, as those projects needed greater community ownership, particularly in areas of water and environment.**

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.**

**G V Prasad**  
Co-Chairman & CEO

**Ravi Bhoothalingam**  
Chairman of CSR Committee

**ANNEXURE - V****Information in terms of Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014**

- (i) The ratio of the remuneration of each director to the median remuneration of the employees of the Company, the percentage increase in remuneration of each director, CEO, CFO and CS for FY2016 and comparison of the remuneration of each Key Managerial Personnel (KMP) against the performance of the Company:

NAME	DESIGNATION	RATIO OF REMUNERATION OF EACH DIRECTOR TO THE MEDIAN REMUNERATION OF EMPLOYEES	% INCREASE IN REMUNERATION DURING FY2016	COMPARISON OF THE REMUNERATION OF EACH KMPs <sup>(1)</sup> AGAINST THE PERFORMANCE OF THE COMPANY
Mr. K Satish Reddy <sup>(2)</sup>	Chairman	230	-9%	Compared to FY2015, the revenues in FY2016 grew by 2% and EBITDA decreased by 13%
Mr. G V Prasad <sup>(2)</sup>	Co-Chairman and CEO	312	-8%	
Dr. Omkar Goswami	Independent Director	25	4%	
Mr. Ravi Bhoothalingam	Independent Director	26	1%	
Mr. Anupam Puri	Independent Director	29	2%	
Dr. J P Moreau <sup>(3)</sup>	Independent Director	13	-50%	
Ms. Kalpana Morparia	Independent Director	29	7%	
Dr. Bruce LA Carter	Independent Director	26	1%	
Dr. Ashok S Ganguly	Independent Director	27	11%	
Mr. Sridar Iyengar	Independent Director	27	1%	
Mr. Saumen Chakraborty <sup>(4)</sup>	Chief Financial Officer (CFO)	NA	29%	Compared to FY2015, the revenues in FY2016 grew by 2% and EBITDA decreased by 13%
Mr. Sandeep Poddar <sup>(4)</sup>	Company Secretary (CS)	NA	53%	

<sup>(1)</sup> KMPs includes our Chairman, Co-Chairman & CEO, CFO and CS.

<sup>(2)</sup> Includes commission, salary and perquisites. They do not receive any amount as remuneration from any subsidiary company.

<sup>(3)</sup> Remuneration for part of the year, the term as an Independent Director ended on 31 July 2015.

<sup>(4)</sup> Includes fixed pay, actual variable pay, fuel & maintenance on actuals and does not include value of stock options.

- (ii) The median remuneration of employees increased by 7% in FY2016.
- (iii) The number of permanent employees on the rolls of the Company as on 31 March 2016 is 21,669.
- (iv) The average increase in remuneration paid to employees is 11.5% for FY2016 as compared to FY2015. Compared to FY2015, the revenues in FY2016 grew by 2% and EBITDA decreased by 13%.

The remuneration philosophy of the Company is to provide market competitive compensation which drives a high performance culture. Every year, the salary increases are based on benchmarking with similar profiled organisations and market competitiveness. The variable component is paid out to an employee on the basis of performance of the Company, the corresponding business unit or function and his/her own performance.

- (v) The total remuneration of KMPs has decreased by 4% while the revenues in FY2016 grew by 2% and EBITDA decreased by 13%.

(vi)	PARTICULARS	31 MARCH 2016	31 MARCH 2015
a)	Market Capitalization	₹ 51,783 crores	₹ 59,442 crores
b)	Price Earnings Ratio	25.95	26.89
c)	The closing price of the Company's equity shares on the NSE and BSE as on 31 March 2016 was ₹ 3,035.20 and ₹ 3,034.90 respectively. As on 31 March 2015, the value of portfolio of an Indian investor who invested ₹ 1,000 in Company's IPO in 1986 and ₹ 1,250 in rights issue in August, 1989 and held on to these till date would have been ₹ 16.39 million (adjusted for bonuses and sub-division). This is excluding the value of dividend payouts and bonus debentures.		

- (vii) Average percentage increase in the salaries of employees other than KMPs for FY2016 was 11.5% as compared to FY2015. There was a decrease of 4% in the total remuneration of KMPs for the same period.
- (viii) Key parameters for variable component of remuneration availed by the Directors: Each Executive Director is entitled to receive a commission of up to 0.75% of the Company's net profit (calculated under the Companies Act). The Nomination, Governance and Compensation Committee recommends the commission payable to the Executive Directors after considering their achievements on financial and non-financial metrics and other evaluation criteria fixed by the Committee.

Non-executive Directors are entitled to receive an overall maximum commission of up to 0.50% of the Company's net profit (calculated under the Companies Act). The commission payable to Non-executive Directors is determined on the basis of their level of engagement and participation, time spent and their contribution in enhancing the Board's effectiveness. The commission is also determined by keeping in view the industry benchmarks.

- (ix) None of the employees (who are not directors) receive remuneration in excess of the highest paid director.
- (x) It is hereby affirmed that the remuneration paid during FY2016 is as per the Remuneration Policy of the Company.

**K Satish Reddy**  
Chairman

**ANNEXURE - VI****CONSERVATION OF ENERGY, R&D, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO****(A) CONSERVATION OF ENERGY**

During the year, the Company has implemented energy conservation projects across its various business units and accrued savings of approximately ₹ 51.90 million.

Major categories of the energy projects are:

- 1. Installation of innovative technology:** Major projects in this category include replacement of conventional motor blower technology with EC (Electronically Commuted motors) technology in HVAC systems. Automatic tube cleaning system in refrigeration chillers, zero purge loss air dryers for compressed air. Installation of side stream filtration technology at cooling towers. Emulsification of furnace oil to reduce the consumption in boilers. Power management system for synchronisation of DG sets & load sharing. Replacement of old motors with IE 3 motors. Voltage transformers for lighting loads. Use of LED lights.
- 2. Optimization of designs and operational efficiencies:** Major initiatives in the category include detailed compressed air leakage analysis & corrective actions, enhancement of preventive schedules. Analysis of pump efficiencies and correcting the impeller diameters to optimize the energy consumption. Optimizing the boiler efficiency by condensate recovery, installation of online efficiency monitoring system. Installation of Nitrogen control system on Centrifuges. Optimization of HVAC differential pressures. Replacement of old compressors with high efficiency compressor technology.
- 3. Identifying cheaper power sources and optimization of resources:** Major initiatives in this category includes effective use of IEX power, signing the agreement and power purchase from alternate solar power suppliers for two plants. Merging of CTO 1 & FTO 1 power connections for optimization & switching to 33 KV supply for better reliability to reduce DG usage. 11 KV dedicated feeder for CTO 4 for better reliability & bidding for IEX power.

**(B) TECHNOLOGY ABSORPTION**

i.	Efforts made towards technology absorption	The Company has a full-fledged R&D division continuously engaged in research on new products and process improvement on existing products as part of continuous improvement. As a part of technology absorption and adoption, once technology is developed for a product, it is tested in a Pilot Plant and thereafter commercial production is performed. Innovation is embarked by an incremental approach towards cost, time, quality and complex product development by adopting cutting edge technology and our philosophy is to continuously upgrade the technology.	
ii.	Benefits derived like product improvement, cost reduction, product development or import substitution.	Successful development of complex generics products accomplished through innovation and science. Improved quality by adopting Quality by Design concept. Technology adoption yielded improvement in robustness and cost.	
iii.	In case of imported technology (imported during the last three years reckoned from the beginning of the financial year)	No imported technology	
	a) Details of technology imported		
	b) Year of import		
	c) Whether the technology have been fully absorbed		
	d) If not fully absorbed, areas where absorption has not taken place, and the reasons therefore		
iv.	Expenditure incurred on R & D		
	a) Capital (₹ million)	FY2016	FY2015
	b) Recurring (₹ million)	1,303	689
	c) Total (₹ million)	12,743	11,230
		14,046	11,919
	<b>Total R&amp;D expenditure as a percentage of total turnover</b>	<b>13.84%</b>	<b>12.00%</b>

**(C) FOREIGN EXCHANGE EARNINGS AND OUTGO**

Please refer information given in the note nos. 2.33 and 2.34 of the Notes to the financial statements.

**K Satish Reddy**  
Chairman

**ANNEXURE - VII****FORM NO. MGT-9****EXTRACT OF ANNUAL RETURN****as on the financial year ended 31 March 2016****(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	L85195TG1984PLC004507
ii)	Registration Date	24 February 1984
iii)	Name of the Company	Dr. Reddy's Laboratories 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 Tel: +91-40-4900 2900; Fax: +91-40-4900 2999 Email id: shares@drreddys.com
vi)	Whether listed company: Yes/No	Yes
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	M/s. Bigshare Services Private Limited 306, Right wing, 3rd floor, Amrutha Ville, Opp. Yashoda Hospital, Rajbhavan Road, Hyderabad - 500 082 Tel: +91-40-2337 4967; Fax: +91-40-2337 0295 Email id: bshyhd@bigshareonline.com

**II. PRINCIPAL BUSINESS ACTIVITIES 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
1	Pharmaceuticals	210	100%

**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 New Zealand Limited	82, Totara Crescent, Woburn, Lower Hutt, 5011, New Zealand	NA	Subsidiary	100	2(87)(ii)
2	Dr. Reddy's Laboratories (Australia) Pty. Limited	Level 9, 492, St. Kilda Road, Melbourne, Victoria, Australia	NA	Subsidiary	100	2(87)(ii)
3	Dr. Reddy's Laboratories (Proprietary) Ltd.	The Place, 1 Sandton Drive, Sandton 2196, South Africa	NA	Subsidiary	100	2(87)(ii)
4	Dr. Reddy's Venezuela, C.A.	Av. Orinoco, Edf. Centro Empressarial Premium, Piso 3, Urb Las Mercedes, Caracas, Venezuela	NA	Subsidiary	100	2(87)(ii)
5	Dr. Reddy's Laboratories Inc.	107 College Road East, Princeton, New Jersey, 08540, USA	NA	Subsidiary	100	2(87)(ii)
6	Promius Pharma LLC	107 College Road East, Princeton, New Jersey, 08540, USA	NA	Subsidiary	100	2(87)(ii)
7	Dr. Reddy's Laboratories Louisiana LLC	8800 Line Avenue, Shreveport, LA 71106-6717, USA	NA	Subsidiary	100	2(87)(ii)
8	Dr. Reddy's Laboratories Tennessee LLC	201 Industrial Drive, Bristol, TN 37620-5413, USA	NA	Subsidiary	100	2(87)(ii)
9	Reddy Pharma Italia Srl (Formerly known as Reddy Pharma Italia S.p.A)	Milan, via Piazza Santa Maria Beltrade 1, Italy	NA	Subsidiary	100	2(87)(ii)



SL. NO.	NAME OF THE COMPANY	ADDRESS OF THE COMPANY	CIN/GLN	HOLDING/SUBSIDIARY/ASSOCIATE	% OF SHARES HELD*	APPLICABLE SECTION
10	Dr. Reddy's Srl	Milan, via Piazza Santa Maria Beltrade 1, Italy	NA	Subsidiary	100	2(87)(ii)
11	Reddy Pharma Iberia SA	Avenida de Aragon 330, Parque Empresarial "las Mercedes", Edificio 5, Planta 3a, 28022, Madrid, Spain	NA	Subsidiary	100	2(87)(ii)
12	Dr. Reddy's Farmaceutica Do Brasil Ltda.	AV. Guido Caloi, 1985 - JD. SAO Luis - Sao Paulo, Brazil	NA	Subsidiary	100	2(87)(ii)
13	Dr. Reddy's Laboratories (UK) Limited	Unit 6, Riverview Road, Beverly, East Yorkshire, HU17 Old. UK	NA	Subsidiary	100	2(87)(ii)
14	Dr. Reddy's Laboratories (EU) Limited	Riverview Road, Beverly, East Yorkshire, HU17 Old. UK	NA	Subsidiary	100	2(87)(ii)
15	Chirotech Technology Limited	Chirotech Technology Centre, 410 Cambridge Science Park, Milton Road, Cambridge, UK	NA	Subsidiary	100	2(87)(ii)
16	Kunshan Rotam Reddy Pharmaceutical Co. Limited	258, Huang Pu Jiang Zhong Lu, Kunshan, Jiangsu, P.R. China- 215300.	NA	Subsidiary	51.33	2(87)(ii)
17	OOO Dr. Reddy's Laboratories Limited	20, Ovchinnikovskaya Emb, Moscow, Russia	NA	Subsidiary	100	2(87)(ii)
18	Dr. Reddy's Laboratories Romania SRL	71, Nicolac Caramfil, floor 5, space 10, 014142 Bucharest 1, Romania	NA	Subsidiary	100	2(87)(ii)
19	Reddy Specialities GmbH (merged with Reddy Holding GmbH with effect from 21 November 2015)	Kobelweg-95, 86156 Augsburg, Germany	NA	Subsidiary	100	2(87)(ii)
20	Reddy Holding GmbH	Kobelweg-95, 86156 Augsburg, Germany	NA	Subsidiary	100	2(87)(ii)
21	beta Institut gemeinnützige GmbH	Kobelweg-95, 86156 Augsburg, Germany	NA	Subsidiary	100	2(87)(ii)
22	betapharm Arzneimittel GmbH	Kobelweg-95, 86156 Augsburg, Germany	NA	Subsidiary	100	2(87)(ii)
23	Lacock Holdings Ltd	10, Diomidious Street, Alphamega Akropolis Bldg, 3rd floor, Office 401, 2024 Nicosia, Cyprus	NA	Subsidiary	100	2(87)(ii)
24	Reddy Netherlands B.V.	Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands	NA	Subsidiary	100	2(87)(ii)
25	Reddy Antilles N.V.	Landhuis Joonchi Kaya Richard Beajon z/n., Curacao	NA	Subsidiary	100	2(87)(ii)
26	Dr. Reddy's Laboratories SA	Elisabethenanlage 11, CH-4051, Basel, Switzerland	NA	Subsidiary	100	2(87)(ii)
27	Dr. Reddy's Laboratories International SA	Elisabethenanlage 11, CH-4051, Basel, Switzerland	NA	Subsidiary	100	2(87)(ii)
28	Industrias Quimicas Falcon de Mexico, S.A.	Carr. Federal Cuernavaca -Cuautla Kn.4.5, Civac, Jiutepec, Mor, Mexico 62578	NA	Subsidiary	100	2(87)(ii)
29	Aurigene Discovery Technologies (Malaysia) SDN BHD	Wisma, Adiss Udarmana Complex, 1-3A Jalan, 1/64A, Kuala Lumpur-50530, Malaysia	NA	Subsidiary	100	2(87)(ii)
30	Dr. Reddy's Laboratories New York, Inc.	1974, State Route, 145 Middleburgh, NY 12122, USA	NA	Subsidiary	100	2(87)(ii)
31	Dr. Reddy's Laboratories LLC	121A, Lenin str., v. Velika, Oleksandrivka, Borispil region, Kyiv oblast, Ukraine	NA	Subsidiary	100	2(87)(ii)
32	OctoPlus B.V.	Zernikedreef 12,23333 CL Leiden, The Netherlands	NA	Subsidiary	100	2(87)(ii)
33	OctoShare B.V.	Zernikedreef 12,23333 CL Leiden, The Netherlands	NA	Subsidiary	100	2(87)(ii)
34	OctoPlus Development B.V.	Zernikedreef 12,23333 CL Leiden, The Netherlands	NA	Subsidiary	100	2(87)(ii)

SL. NO.	NAME OF THE COMPANY	ADDRESS OF THE COMPANY	CIN/GLN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% OF SHARES HELD*	APPLICABLE SECTION
35	OctoPlus Technologies B.V.	Zernikedreef 12,23333 CL Leiden, The Netherlands	NA	Subsidiary	100	2(87)(ii)
36	OctoPlus Science B.V.	Zernikedreef 12,23333 CL Leiden, The Netherlands	NA	Subsidiary	100	2(87)(ii)
37	OctoPlus PolyActive Science B.V.	Zernikedreef 12,23333 CL Leiden, The Netherlands	NA	Subsidiary	100	2(87)(ii)
38	Chienna B.V.	Zernikedreef 12,23333 CL Leiden, The Netherlands	NA	Subsidiary	100	2(87)(ii)
39	Dr. Reddy's Laboratories Canada Inc.	2425, Matheson Blvd E, 7th Floor, Mississauga, L4W5K4	NA	Subsidiary	100	2(87)(ii)
40	Dr. Reddy's Singapore Pte. Ltd.	16, Raffles Quay # 33-03 Hong Leong Bldg, Singapore- 048581	NA	Subsidiary	100	2(87)(ii)
41	Dr. Reddy's Laboratories SAS	Avenida Carrera 9, No. 113-52, Edificio Torres Unidas 2, Bogota D.C., Colombia	NA	Subsidiary	100	2(87)(ii)
42	Aurigene Discovery Technologies Inc.	107, College Road East, Princeton, New Jersey - 08540, USA	NA	Subsidiary	100	2(87)(ii)
43	Euro Bridge Consulting B.V.	Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands	NA	Subsidiary	100	2(87)(ii)
44	OOO DRS LLC	20, Ovchinnikovskaya Emb, Moscow, Russia	NA	Subsidiary	100	2(87)(ii)
45	Reddy Cheminor S.A. (under liquidation)	Chez Me Haucourt Vannier, 6,8 Rue Du Docteur Maunoury, BP 218, 28004, Chartres Cedex, France	NA	Subsidiary	100	2(87)(ii)
46	Dr. Reddy's Laboratories Japan KK (Incorporated on 21 April 2015)	Kabutoch, 1st Heiwa Building, 3F, 5-1 Nihonbashi Kabutocho, Chuo-Ku, Tokyo 103-0026	NA	Subsidiary	100	2(87)(ii)
47	Reddy Pharma SAS, France (Incorporated on 29 October 2015)	17 Rue Pierre Et Michel Dreyfus - Schmidt 90000, Belfort, France 2015)	NA	Subsidiary	100	2(87)(ii)
48	Aurigene Discovery Technologies Limited	39-40, KIADB Industrial Area, Electronic City, Phase II, Bengaluru - 560100, India	U24239KA2001PLC029391	Subsidiary	100	2(87)(ii)
49	DRL Impex Limited	7-1-27, Ameerpet, Hyderabad-500016, India	U65990TG1986PLC006695	Subsidiary	100	2(87)(ii)
50	Dr. Reddy's Bio-Sciences Limited	7-1-27, Ameerpet, Hyderabad-500016, India	U72200TG2000PLC034765	Subsidiary	100	2(87)(ii)
51	Idea2Enterprises (India) Private Limited	7-1-27, Ameerpet, Hyderabad-500016, India	U72200TG2000PTC034473	Subsidiary	100	2(87)(ii)
52	Cheminor Investments Limited	7-1-27, Ameerpet, Hyderabad-500016, India	U67120TG1990PLC010931	Subsidiary	100	2(87)(ii)
53	Dr. Reddy's Pharma SEZ Limited	7-1-27, Ameerpet, Hyderabad-500016, India	U24233TG2009PLC064271	Subsidiary	100	2(87)(ii)
54	DRSS Solar Power Private Limited	C2, Pooja Plaza, Vikrampuri, Secunderabad, Telangana - 500009, India	U40101TG2013PTC090678	Joint Venture	26	2(6)
55	DRANU LLC	C/o. Emerging Enterprise Centre, 1000 Winter Street, Suite 4000, Waltham, MA 02451, USA	NA	Joint Venture	50	2(6)
56	DRES Energy Private Limited (Incorporated on 6 October 2015)	No.55, Solar Tower, 6th Main, 11th Cross, Lakshmaiah Block, Ganganagar, Bengaluru - 560024, Karnataka, India	U40104KA2015PTC083148	Joint Venture	26	2(6)

\* Represents aggregate % of shares held by the Company and/or its subsidiaries.

**IV. SHAREHOLDING PATTERN (EQUITY SHARE CAPITAL BREAKUP AS PERCENTAGE OF TOTAL EQUITY)****i) Category-wise Shareholding**

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	
<b>A. PROMOTERS</b>									
(1) Indian									
a) Individual/HUF	3,688,528	0	3,688,528	2.16	3,688,528	0	3,688,528	2.16	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.	39,729,284	0	39,729,284	23.32	39,961,234	0	39,961,234	23.42	0.10
e) Banks/FI	0	0	0	0	0	0	0	0	0
f) Any other (specify)	0	0	0	0	0	0	0	0	0
<b>Sub-total (A)(1)</b>	<b>43,417,812</b>	<b>0</b>	<b>43,417,812</b>	<b>25.48</b>	<b>43,649,762</b>	<b>0</b>	<b>43,649,762</b>	<b>25.58</b>	<b>0.10</b>
(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 (specify)	0	0	0	0	0	0	0	0	0
<b>Sub-total (A)(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total shareholding of Promoters (A)=(A)(1)+(A)(2)</b>	<b>43,417,812</b>	<b>0</b>	<b>43,417,812</b>	<b>25.48</b>	<b>43,649,762</b>	<b>0</b>	<b>43,649,762</b>	<b>25.58</b>	<b>0.10</b>
<b>B. PUBLIC SHAREHOLDING</b>									
(1) Institutions									
a) Mutual funds/UTI	6,007,893	2,926	6,010,819	3.52	5,443,405	2,926	5,446,331	3.19	(0.33)
b) Banks/FI	158,310	4,958	163,268	0.10	266,370	4,758	271,128	0.16	0.06
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt(s).	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	3,092,629	400	3,093,029	1.82	4,558,143	400	4,558,543	2.67	0.85
g) FIs/Foreign Companies	66,200,413	11,000	66,211,413	38.86	65,994,077	11,000	66,005,077	38.70	(0.16)
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Any other (specify)	-	-	-	-	-	-	-	-	-
<b>Sub-total (B)(1)</b>	<b>75,459,245</b>	<b>19,284</b>	<b>75,478,529</b>	<b>44.30</b>	<b>76,261,995</b>	<b>19,084</b>	<b>76,281,079</b>	<b>44.72</b>	<b>0.42</b>
(2) Non-Institutions									
a) Bodies Corp									
i) Indian	7,299,271	22,016	7,321,287	4.30	5,917,231	21,796	5,939,027	3.48	(0.82)
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs.1 lakh	10,309,680	1,489,172	11,798,852	6.92	11,138,420	1,395,737	12,534,157	7.35	0.43
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	773,867	63,778	837,645	0.49	751,071	63,778	814,849	0.48	(0.01)
c) Any other (specify)									
i) Trust	372,010	-	372,010	0.22	534,368	-	534,368	0.31	0.09
ii) Clearing Member	214,352	-	214,352	0.13	180,057	-	180,057	0.11	(0.02)
iii) NRIs	1,567,580	593,366	2,160,946	1.27	1,555,869	529,914	2,085,783	1.22	(0.05)
iv) Foreign Nationals	5,884	-	5,884	-	5,762	-	5,762	-	-
<b>Sub-total (B)(2)</b>	<b>20,542,644</b>	<b>2,168,332</b>	<b>22,710,976</b>	<b>13.33</b>	<b>20,082,778</b>	<b>2,011,225</b>	<b>22,094,003</b>	<b>12.95</b>	<b>(0.38)</b>
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	<b>96,001,889</b>	<b>2,187,616</b>	<b>98,189,505</b>	<b>57.63</b>	<b>96,344,773</b>	<b>2,030,309</b>	<b>98,375,082</b>	<b>57.67</b>	<b>0.04</b>
<b>C. SHARES HELD BY CUSTODIAN FOR ADRs</b>	<b>28,773,857</b>	<b>-</b>	<b>28,773,857</b>	<b>16.89</b>	<b>28,582,809</b>	<b>-</b>	<b>28,582,809</b>	<b>16.75</b>	<b>(0.14)</b>
<b>Grand Total (A+B+C)</b>	<b>168,193,558</b>	<b>2,187,616</b>	<b>170,381,174</b>	<b>100.00</b>	<b>168,577,344</b>	<b>2,030,309</b>	<b>170,607,653</b>	<b>100.00</b>	<b>-</b>

**ii) Shareholding of Promoters**

SL. 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	Dr. Reddy's Holdings Limited	39,729,284	23.32	-	39,961,234	23.42	-	0.10
2	Mr. K Satish Reddy	1,205,832	0.71	-	1,205,832	0.71	-	-
3	Ms. K Samrajyam	1,115,360	0.65	-	1,115,360	0.65	-	-
4	Mr. G V Prasad	1,365,840	0.80	-	1,365,840	0.80	-	-
5	Ms. G Anuradha	1,496	0.00	-	1,496	0.00	-	-
6	Ms. K Deepti Reddy	0	0	-	0	0	-	-
7	APS Trust	0	0	-	0	0	-	-
8	VSD Holdings & Advisory LLP	0	0	-	0	0	-	-
9	K Satish Reddy (HUF)	0	0	-	0	0	-	-
10	Ms. G Vani Sanjana Reddy	0	0	-	0	0	-	-
11	Ms. G Mallika Reddy	0	0	-	0	0	-	-
12	G V Prasad (HUF)	0	0	-	0	0	-	-
13	Mr. G Sharathchandra Reddy	0	0	-	0	0	-	-
14	Ms. K Shravya Reddy	0	0	-	0	0	-	-
		<b>43,417,812</b>	<b>25.48</b>		<b>43,649,762</b>	<b>25.58</b>		<b>0.10</b>

\* The term 'encumbrance' has the same meaning as assigned to it in Regulation 28(3) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. Shareholders listed under Sl. No. 1 to 14 are disclosed as Promoters under Regulation 30(2) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 as on 31 March 2016.

**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	43,417,812	25.48		
Date wise increase/decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity, etc.)	231,950#		43,649,762	25.58
At the end of the year	43,649,762	25.58*		

\* The change in % of total shares of the Company from 25.48 to 25.58 is due to purchase by the Promoter Company.

# Details of shares purchased by Promoter Company during the year:

SL. NO.	NAME	SHAREHOLDING		DATE	INCREASE/ DECREASE IN SHAREHOLDING	REASON	CUMULATIVE SHAREHOLDING DURING THE YEAR	
		NO. OF SHARES	% OF TOTAL SHARES				NO. OF SHARES	% OF TOTAL SHARES
1.	Dr. Reddy's Holdings Limited	39,729,284	23.32	01.04.2015				
				27.05.2015	5,000	Purchase	39,734,284	23.29
				28.05.2015	28,650	Purchase	39,762,934	23.31
				10.08.2015	24,000	Purchase	39,786,934	23.32
				21.08.2015	12,000	Purchase	39,798,934	23.33
				25.08.2015	11,250	Purchase	39,810,184	23.33
				08.09.2015	12,500	Purchase	39,822,684	23.34
				22.09.2015	6,500	Purchase	39,829,184	23.35
				10.11.2015	30,000	Purchase	39,859,184	23.36
				13.11.2015	15,000	Purchase	39,874,184	23.37
				17.11.2015	21,450	Purchase	39,895,634	23.38
				27.11.2015	16,000	Purchase	39,911,634	23.39
				04.12.2015	9,000	Purchase	39,920,634	23.40
				08.12.2015	16,000	Purchase	39,936,634	23.41
				12.01.2016	24,600	Purchase	39,961,234	23.42
				31.03.2016	-	-	39,961,234	23.42



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

SL. NO.	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
1	Oppenheimer Developing Markets Fund	6,630,499	3.89	7,255,073	4.25
2	National Westminster Bank Plc. as Depository of First State Asia Pacific Leaders Fund - a sub-fund of First State Investments ICVC	4,775,689	2.80	4,985,776	2.92
3	Europacific Growth Fund#	2,864,619	1.68	-	-
4	Franklin Templeton Investment Funds	2,712,381	1.59	2,558,701	1.50
5	Teluk Kemang Investments (Mauritius) Limited*	2,332,731	1.37	2,075,536	1.22
6	Government of Singapore	2,169,659	1.27	2,565,584	1.50
7	National Westminster Bank Plc. as Depository of First State Global Emerging Markets Leaders Fund - a sub-fund of First State Investments ICVC	2,046,790	1.20	1,678,354	0.98
8	Abu Dhabi Investment Authority - Gulab#	1,820,296	1.07	1,361,250	0.80
9	ICICI Prudential Life Insurance Company Limited	1,487,303	0.87	1,424,404	0.83
10	ISHARES India Index Mauritius Company*	1,337,756	0.79	1,385,092	0.81
11	First State Investments (Hongkong) Limited A/c. First State Asian Equity Plus Fund	1,046,214	0.61	1,431,771	0.84
12	Life Insurance Corporation of India*	848,220	0.50	1,816,689	1.06
13	SBI Life Insurance Co. Limited#	763,650	0.45	684,417	0.40

\* Not in the list of Top 10 shareholders as on 1 April 2015 but was one of the Top 10 shareholders as on 31 March 2016.

# Ceased to be in the list of Top 10 shareholders as on 31 March 2016 but was one of the Top 10 shareholder as on 1 April 2015.

**v) Shareholding of Directors and Key Managerial Personnel**

SL. 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
<b>A. DIRECTORS</b>								
1	Mr. K Satish Reddy Chairman	01.04.2015	1,205,832	0.71				
		31.03.2016	1,205,832	0.71			1,205,832	0.71
2	Mr. G V Prasad Co-Chairman & CEO	01.04.2015	1,365,840	0.80				
		31.03.2016	1,365,840	0.80			1,365,840	0.80
3	Dr. Omkar Goswami Independent Director	01.04.2015	22,800	0.01				
		31.03.2016	22,800	0.01			22,800	0.01
4	Mr. Ravi Bhoothalingam Independent Director	01.04.2015	22,800	0.01				
		31.03.2016	22,800	0.01			22,800	0.01
5	Ms. Kalpana Morparia Independent Director	01.04.2015	10,800	0.01				
		31.03.2016	10,800	0.01			10,800	0.01
6	Dr. Ashok S Ganguly Independent Director	01.04.2015	4,800	0.00				
		31.03.2016	4,800	0.00			4,800	0.00
7	Mr. Sridar Iyengar Independent Director	01.04.2015	0	0				
		31.03.2016	0	0			0	0
8	Dr. Bruce LA Carter* Independent Director	01.04.2015	7,800	0.01				
		31.03.2016	7,800	0.01			7,800	0.01
9	Dr. J P Moreau*# Independent Director	01.04.2015	0	0				
		31.03.2016	0	0			0	0
10	Mr. Anupam Puri* Independent Director	01.04.2015	21,300	0.01				
		27.05.2015			2,998	Sale		
		31.03.2016	18,302	0.01			18,302	0.01
<b>B. KEY MANAGERIAL PERSONNEL (KMPs)</b>								
11	Mr. Saumen Chakraborty President & CFO	01.04.2015	27,000	0.02				
		04.06.2015			3,625	ESOP	30,625	0.02
		23.06.2015			875	ESOP	31,500	0.02
		31.03.2016	31,500	0.02				
12	Mr. Sandeep Poddar Company Secretary	01.04.2015	830	0.00				
		23.06.2015			520	ESOP	1,350	0.00
		31.03.2016	1,350	0.00				

\* Holding ADRs

# Term ended on 31 July 2015 as an Independent Director

**V. INDEBTEDNESS****Indebtedness of the Company including interest outstanding/accrued but not due for payment**

(₹ MILLION)				
	SECURED LOANS EXCLUDING DEPOSITS	UNSECURED LOANS	DEPOSITS	TOTAL INDEBTEDNESS
<b>Indebtedness at the beginning of the financial year (1 April 2015)</b>				
i) Principal amount	14	31,247	-	31,261
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	65	-	65
<b>Total (i+ii+iii)</b>	<b>14</b>	<b>31,312</b>	<b>-</b>	<b>31,326</b>
Change in indebtedness during the financial year				
Addition, net	-	-	-	-
Reduction, net	5	405	-	410
Reduction in interest accrued but not due on loan, net	-	58	-	58
Net change	(5)	(463)	-	(468)
<b>Indebtedness at the end of the financial year (31 March 2016)</b>				
i) Principal amount	9	30,842	-	30,851
ii) Interest due but not paid	-	7	-	7
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	<b>9</b>	<b>30,849</b>	<b>-</b>	<b>30,858</b>

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL****A) Remuneration of Managing Director, Whole-time Director and/or Manager**

(₹ MILLION)				
SL. NO.	PARTICULARS OF REMUNERATION	NAME OF MD/WTD/MANAGER		TOTAL AMOUNT
		K SATISH REDDY	G V PRASAD	
1	Gross Salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	6.32	8.33	14.65
	(b) Value of perquisites u/s. 17(2) of the Income-tax Act, 1961	0.63	0.83	1.46
	(c) Profits in lieu of salary u/s. 17(3) of the Income-tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission			
	- as a % of profit	76.50	108.00	184.50
	- others	-	-	-
5	Others, please specify			
	- Company provided car	4.08	1.40	5.48
	- Company's contribution to PF	0.50	0.66	1.16
	<b>Total (A)</b>	<b>88.03</b>	<b>119.22</b>	<b>207.25</b>
	Ceiling as per the Act	₹ 1,611.3 million (being 10% of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013)		

**B) Remuneration of other Directors**

(₹ MILLION)										
SL. NO.	PARTICULARS OF REMUNERATION	NAME OF DIRECTORS								TOTAL AMOUNT
		DR. OMKAR GOSWAMI	RAVI BHOOHALINGAM	KALPANA MORPARIA	DR. ASHOK S GANGULY	SRIDAR IYENGAR	DR. BRUCE LA CARTER	DR. J P MOREAU <sup>(1)</sup>	ANUPAM PURI	
<b>1</b>	<b>Independent Directors</b>									
	- Fee for attending Board and Committee meetings	-	-	-	-	-	-	-	-	-
	- Commission	9.72	10.05	11.05	10.38	10.45	10.12	4.89	11.12	77.78
	- Others, please specify	-	-	-	-	-	-	-	-	-
	<b>Total (1)</b>	<b>9.72</b>	<b>10.05</b>	<b>11.05</b>	<b>10.38</b>	<b>10.45</b>	<b>10.12</b>	<b>4.89</b>	<b>11.12</b>	<b>77.78</b>
<b>2</b>	<b>Other Non-Executive Directors</b>									
	- Fee for attending Board and Committee meetings	-	-	-	-	-	-	-	-	-
	- Commission	-	-	-	-	-	-	-	-	-
	- Others, please specify	-	-	-	-	-	-	-	-	-
	<b>Total (2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total (B)=(1+2)</b>	<b>9.72</b>	<b>10.05</b>	<b>11.05</b>	<b>10.38</b>	<b>10.45</b>	<b>10.12</b>	<b>4.89</b>	<b>11.12</b>	<b>77.78</b>
	Overall Ceiling as per Act	₹ 161.13 million (being 1% of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013)								
	<b>Total Managerial Remuneration* (Total of A and B)</b>									<b>285.03</b>

\* Total remuneration to Managing/Whole-time Directors and other Directors.

<sup>(1)</sup> Remuneration for part of the year, the term as an Independent Director ended on 31 July 2015.

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

(₹ MILLION)					
SL. NO.	PARTICULARS OF REMUNERATION	KEY MANAGERIAL PERSONNEL			TOTAL AMOUNT
		CEO	CFO	COMPANY SECRETARY	
			SAUMEN CHAKRABORTY	SANDEEP PODDAR	
<b>1</b>	<b>Gross Salary</b>				
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961		28.08	5.63	33.71
	(b) Value of perquisites u/s. of the 17(2) of the Income-tax Act, 1961		0.84	0.19	1.03
	(c) Profits in lieu of salary u/s. 17(3) of the Income-tax Act, 1961		-	-	-
2	Stock Option*		10.05	0.93	10.98
3	Sweat Equity		-	-	-
4	Commission	Not Applicable	-	-	-
	- as a % of profit		-	-	-
	- others		-	-	-
5	Others, please specify				
	- Company's contribution to PF		0.96	0.23	1.19
	<b>Total (A)</b>		<b>39.93</b>	<b>6.98</b>	<b>46.91</b>

\* Represents intrinsic value (as on grant date) of stock options granted during FY2016. These options vest in 4 years (@25% each year) subject to continued service.

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES**

TYPE	SECTION OF THE COMPANIES ACT	BRIEF DESCRIPTION	DETAILS OF PENALTY/PUNISHMENT/COMPOUNDING FEES IMPOSED	AUTHORITY (RD/NCLT/COURT)	APPEAL MADE, IF ANY (GIVE DETAILS)
<b>COMPANY/DIRECTORS/OTHER OFFICERS IN DEFAULT</b>					
Penalty			NIL		
Punishment			NIL		
Compounding			NIL		

**K Satish Reddy**  
Chairman

# Standalone Financial Statements

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## INDEPENDENT AUDITORS' REPORT

To the members of Dr. Reddy's Laboratories Limited

### Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of Dr. Reddy's Laboratories Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### 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 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 Rule 7 of the Companies (Accounts) Rules, 2014. 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 the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the 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 internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the standalone financial statements.

### Opinion

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 31 March 2016 and its profit and its cash flows 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 of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in paragraph 3 and 4 of the Order, to the extent applicable.
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 and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - (e) On the basis of the written representations received from the directors as on 31 March 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016 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 and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and

**INDEPENDENT AUDITORS' REPORT** (CONTINUED)

- (g) With respect to the other matters to be included in the Auditors' 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 has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 2.25 to the financial statements;
  - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, including derivative contracts; and
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

for B S R & Co. LLP

Chartered Accountants

Firm Registration No.: 101248W/W-100022

Supreet Sachdev

Partner

Membership No.: 205385

Place : Hyderabad

Date : 12 May 2016

**ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT ON THE STANDALONE FINANCIAL STATEMENTS**

The Annexure A referred to in the independent auditors' report of even date to the members of Dr. Reddy's Laboratories Limited ("the Company") on the standalone financial statements as of and for the year ended 31 March 2016, we report that:

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
(b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.  
(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties as disclosed in Note 2.7 to these standalone financial statements, are held in the name of the Company.
- ii. The physical verification of inventory, excluding stocks lying with third parties, have been conducted at reasonable intervals by the Management during the year. In respect of inventories lying with third parties, these have substantially been confirmed by them. The discrepancies noticed on physical verification of inventory, as compared to book records were not material.
- iii. The Company has granted unsecured loans to one company and two body corporates covered in the register maintained under Section 189 of the Companies Act, 2013 ("the Act"). There are no firms, Limited Liability Partnerships and other parties covered in the register maintained under Section 189 of the Act.  
(a) In respect of the aforesaid loans, the terms and conditions under which such loans were granted are not prejudicial to Company's interest.  
(b) In respect of the aforesaid loans, no schedule for repayment of principal and payment of interest has been stipulated by the Company. Therefore, in the absence of stipulation of repayment terms, we don't make any comment on the regularity of repayment of principal and payment of interest.  
(c) In respect of the aforesaid loans, there is no amount which is overdue for more than ninety days.
- iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Act, with respect to the loans and investments made and guarantees and securities provided by it.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed thereunder to the extent notified.
- vi. We have broadly reviewed cost records maintained by the Company pursuant to the Rules prescribed by the Central Government under Section 148(1) of the Act, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records with a view to determine whether they are accurate or complete.
- vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, with 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, cess and other material statutory dues were in arrears as at 31 March 2016 for a period of more than six months from the date they became payable.  
(b) According to the information and explanations given to us and the records of the Company examined by us, the dues set out in Appendix - 1 in respect of income tax, sales tax, service tax, duty of customs, duty of excise and value added tax have not been deposited, with the appropriate authorities, on account of disputes.
- viii. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of loans and borrowings to its bankers. The Company did not have any debenture holders during the year.
- ix. The Company has not raised any monies by way of initial public offer, further public offer (including debt instruments) and term loans during the year. Accordingly, the provisions of clause 3(ix) of the Order are not applicable to the Company.
- x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- xi. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V of the Act.

**ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT ON THE STANDALONE FINANCIAL STATEMENTS** (CONTINUED)

- xii. In our opinion and according to the information and explanation given to us, the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it. Accordingly, provisions of clause 3(xii) of the Order are not applicable.
- xiii. The Company has entered into transactions with related parties in compliance with the provisions of section 177 and 188 of the Act. The details of such related party transactions have been disclosed in the financial statements as required under Accounting Standard 18, Related Party Disclosures specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- xv. According to the information and explanation given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with the directors or persons connected with him. Accordingly, the provisions of clause 3(xv) of the Order are not applicable.
- xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act 1934. Accordingly, the provisions of the clause 3(xvi) of the Order are not applicable to the Company.

for B S R & Co. LLP

*Chartered Accountants*

Firm Registration No.: 101248W/ W-100022

Supreet Sachdev

*Partner*

Membership No.: 205385

Place : Hyderabad

Date : 12 May 2016



**ANNEXURE B TO THE INDEPENDENT AUDITORS' REPORT ON THE STANDALONE FINANCIAL STATEMENTS**

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 Laboratories Limited ("the Company") as of 31 March 2016 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 (ICAI). 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.

**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 (the "Guidance Note") 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 ICAI. 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.

**ANNEXURE B TO THE INDEPENDENT AUDITORS' REPORT ON THE STANDALONE FINANCIAL STATEMENTS (CONTINUED)****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 31 March 2016, 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 ICAI.

for B S R & Co. LLP  
Chartered Accountants  
Firm Registration No.: 101248W/W-100022

Supreet Sachdev  
Partner  
Membership No.: 205385

Place : Hyderabad  
Date : 12 May 2016

**Appendix 1 as referred to in paragraph vii (b) of Annexure A to the Independent Auditors' Report**

Name of the Statute	Nature of dues	Amount in ₹ Million	Forum where the dispute is pending	Period to which the amount relates
Income Tax Act, 1961	Income Tax	1	Commissioner Appeals	2002-2003
		1	Income Tax Appellate Tribunal	1992-1993
		9	High Court	1991-1994
Central Excise Act, 1944	Duty	1,703	Appellate Authority - upto Commissioners	2003-2015
		193	CESTAT	1998-2014
		40	High Court	2002-2008
	Interest	7	CESTAT	2006-2012
		Penalty	1	Appellate Authority - upto Commissioners
	74		CESTAT	2004-2014
Customs Act, 1962	Duty	4	High Court	2002-2008
		24	Appellate Authority - upto Commissioners	1993-2015
	6	CESTAT	2009-2010	
Finance Act, 1994	CENVAT Credit of Service Tax	-	CESTAT	2009-2010
		504	CESTAT	2006-2015
		218	Appellate Authority - upto Commissioners	2006-2015
	Penalty	-	High Court	2005-2008
		259	CESTAT	2006-2015
	3	Appellate Authority - upto Commissioners	2006-2015	
Central Sales Tax Act and Sales Tax Acts of various states	Tax	1	CESTAT	2006-2015
		142	Sales Tax Appellate Tribunal	2002-2013
		501	Appellate Authority - upto Commissioners	2002-2016
	Penalty	2	High Court	2006-2008
		43	Appellate Authority - upto Commissioners	2002-2016
		13	Sales Tax Tribunal	2002-2013
-	High Court	2006-2008		

Out of the total disputed dues, an amount of ₹ 336 million has been paid under protest for sales tax related matters, ₹ 130 million has been paid under protest for service tax related matters and ₹ 13 million has been paid for excise related matters.

**BALANCE SHEET**

PARTICULARS	NOTE	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
<b>EQUITY AND LIABILITIES</b>			
Shareholders' funds			
Share capital	2.1	853	852
Reserves and surplus	2.2	115,201	105,488
		<b>116,054</b>	<b>106,340</b>
Non current liabilities			
Long term borrowings	2.3	9,944	9,391
Deferred tax liabilities, net	2.26	355	1,290
Other long term liabilities	2.4	571	255
Long term provisions	2.5	665	498
		<b>11,535</b>	<b>11,434</b>
Current liabilities			
Short term borrowings	2.3	20,896	21,857
Trade payables	2.6		
Total outstanding dues of micro enterprises and small enterprises		20	79
Total outstanding dues of creditors other than micro enterprises and small enterprises		7,172	7,081
Other current liabilities	2.4	14,095	12,374
Short term provisions	2.5	5,804	5,395
		<b>47,987</b>	<b>46,786</b>
	<b>TOTAL</b>	<b>175,576</b>	<b>164,560</b>
<b>ASSETS</b>			
Non current assets			
Fixed assets			
Tangible assets	2.7	35,938	31,294
Intangible assets	2.7	8,355	1,200
Capital work-in-progress		6,150	4,883
Non current investments	2.8	17,761	17,601
Long term loans and advances	2.9	6,396	5,538
Other non current assets	2.15	27	11
		<b>74,627</b>	<b>60,527</b>
Current assets			
Current investments	2.10	21,122	21,022
Inventories	2.11	16,996	17,233
Trade receivables	2.12	38,935	47,117
Cash and bank balances	2.13	12,680	9,014
Short term loans and advances	2.14	8,326	8,657
Other current assets	2.15	2,890	990
		<b>100,949</b>	<b>104,033</b>
	<b>TOTAL</b>	<b>175,576</b>	<b>164,560</b>
Significant accounting policies	1		
The accompanying notes are an integral part of financial statements			

As per our report of even date attached  
for B S R & Co. LLP  
Chartered Accountants  
Firm Registration No.: 101248W/W-100022  
Supreet Sachdev

Partner  
Membership No.: 205385  
Place : Hyderabad  
Date : 12 May 2016

for and on behalf of the Board of Directors of Dr. Reddy's Laboratories Limited

K Satish Reddy                      Chairman  
G V Prasad                          Co-Chairman & Chief Executive Officer  
Saumen Chakraborty              President & Chief Financial Officer  
Sandeep Poddar                      Company Secretary

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

## STATEMENT OF PROFIT AND LOSS

PARTICULARS	NOTE	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
<b>INCOME</b>			
Sales, gross		100,060	99,703
Less: Excise duty		(842)	(829)
<b>Sales, net</b>		<b>99,218</b>	<b>98,874</b>
Service income		205	247
License fees		2,083	154
Other operating revenue	2.16	571	835
<b>Revenue from operations</b>		<b>102,077</b>	<b>100,110</b>
Other income	2.17	2,448	2,228
<b>Total revenue</b>		<b>104,525</b>	<b>102,338</b>
<b>EXPENSES</b>			
Cost of material consumed (including packing material consumed)		19,885	23,227
Purchase of stock-in-trade		6,104	5,261
Changes in inventories of finished goods, work-in-progress and stock-in-trade	2.18	(288)	(289)
Conversion charges		942	924
Employee benefits expense	2.19	17,100	14,909
Finance costs	2.20	638	638
Depreciation and amortisation expense	2.7	6,491	4,902
Other expenses	2.21	34,294	32,167
<b>Total expenses</b>		<b>85,166</b>	<b>81,739</b>
<b>Profit before exceptional and extraordinary items and tax</b>		<b>19,359</b>	<b>20,599</b>
Exceptional items			
Provision for doubtful debts [Refer note 2.36(a)]		3,559	-
<b>Profit before extraordinary items and tax</b>		<b>15,800</b>	<b>20,599</b>
Extraordinary items		-	-
<b>Profit before tax</b>		<b>15,800</b>	<b>20,599</b>
Tax expense	2.22		
Current tax expense		3,190	3,767
Deferred tax (benefit) / expense		(935)	38
<b>Profit for the year</b>		<b>13,545</b>	<b>16,794</b>
<b>Earnings per share</b>	2.24		
Basic - Par value ₹ 5/- per share		79.42	98.60
Diluted - Par value ₹ 5/- per share		79.14	98.18
<b>Number of shares used in computing earnings per share</b>			
Basic		170,547,643	170,314,506
Diluted		171,151,025	171,056,969
<b>Significant accounting policies</b>	1		
The accompanying notes are an integral part of financial statements			

As per our report of even date attached  
for B S R & Co. LLP  
Chartered Accountants  
Firm Registration No.: 101248W/W-100022  
Supreet Sachdev  
Partner  
Membership No.: 205385  
Place : Hyderabad  
Date : 12 May 2016

for and on behalf of the Board of Directors of Dr. Reddy's Laboratories Limited

K Satish Reddy                      Chairman  
G V Prasad                          Co-Chairman & Chief Executive Officer  
Saumen Chakraborty              President & Chief Financial Officer  
Sandeep Poddar                      Company Secretary



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

**CASH FLOW STATEMENT**

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
<b>CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES</b>		
Profit before taxation	15,800	20,599
Adjustments:		
Depreciation and amortisation expense	6,491	4,902
Provision for wealth tax	-	2
Dividend from mutual fund units	(53)	(26)
Stock compensation expense, net	426	519
Foreign exchange loss / (gain), net	188	(2,348)
Profit on sale of current investments, net	(800)	(699)
Loss on de-recognition / Impairment of intangible assets	-	208
Dividend from subsidiary	(158)	(79)
Interest income	(1,163)	(941)
Finance costs	638	638
Loss on sale of fixed assets, net	80	120
Allowance for sales returns	758	660
Provision for inventory obsolescence	1,684	2,708
Provision for doubtful debts, net	3,617	98
Provision for doubtful advances, net	11	198
<b>Operating cash flows before working capital changes</b>	<b>27,519</b>	<b>26,559</b>
<i>Changes in operating assets and liabilities</i>		
Trade receivables	6,121	(472)
Inventories	(1,447)	(4,020)
Trade payables	91	(1,272)
Other assets and liabilities, net	(330)	1,858
<b>Cash generated from operations</b>	<b>31,954</b>	<b>22,653</b>
Income taxes paid, net	(3,972)	(4,792)
<b>Net cash from operating activities</b>	<b>27,982</b>	<b>17,861</b>
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>		
Purchase of tangible and intangible assets	(19,125)	(9,625)
Proceeds from sale of fixed assets	14	84
Increase in deposit accounts (having original maturity of more than 3 months) and other bank balances	(2,313)	(2,919)
Purchase of investments	(55,322)	(35,946)
Proceeds from sale of investments	55,864	26,096
Dividend from mutual fund units	53	26
Dividend from subsidiary	158	79
Loans and advances (given to) / repaid by subsidiaries	(18)	1,308
Interest received	1,078	732
<b>Net cash used in investing activities</b>	<b>(19,611)</b>	<b>(20,165)</b>

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

**CASH FLOW STATEMENT** (CONTINUED)

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
<b>CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>		
Proceeds from issuance of share capital	1	5
Repayment of short term borrowings	(27,874)	(21,220)
Proceeds from short term borrowings	25,762	27,370
Interest paid	(750)	(687)
Dividend paid (including dividend distribution tax)	(4,076)	(3,574)
<b>Net cash (used in) / from financing activities</b>	<b>(6,937)</b>	<b>1,894</b>
Net increase / (decrease) in cash and cash equivalents	1,434	(410)
Cash and cash equivalents at the beginning of the year (refer note 2.13)	600	1,156
Effect of foreign exchange loss on cash and cash equivalents	(92)	(146)
<b>Cash and cash equivalents at the end of the year (refer note 2.13)</b>	<b>1,942</b>	<b>600</b>
<b>Notes to the cash flow statement:</b>		
Cash and cash equivalents at the end of the year (refer note 2.13)	1,942	600
Other bank balances (refer note 2.13)	10,738	8,414
<b>Cash and bank balances at the end of the year (refer note 2.13)</b>	<b>12,680</b>	<b>9,014</b>

The accompanying notes are an integral part of financial statements

As per our report of even date attached  
for B S R & Co. LLP  
Chartered Accountants  
Firm Registration No.: 101248W/W-100022  
Supreet Sachdev  
Partner  
Membership No.: 205385  
Place : Hyderabad  
Date : 12 May 2016

for and on behalf of the Board of Directors of Dr. Reddy's Laboratories Limited

K Satish Reddy	Chairman
G V Prasad	Co-Chairman & Chief Executive Officer
Saumen Chakraborty	President & Chief Financial Officer
Sandeep Poddar	Company Secretary

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of preparation

The financial statements of Dr. Reddy's Laboratories Limited ("DRL" or "the Company") have been prepared and presented in accordance with the accounting principles generally accepted in India (Indian GAAP). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India, the relevant provisions of the Companies Act, 2013 and guidelines issued by the Securities and Exchange Board of India (SEBI) (Collectively referred to as "IGAAP"). The financial statements are presented in Indian Rupees rounded off to the nearest million.

#### b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Examples of such estimates include estimation of useful lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, provision for obligations relating to employees, provisions against litigations and contingencies. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

#### c) 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.

##### 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.

#### d) Tangible fixed assets and depreciation

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

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.

Subsequent expenditure related to an item of tangible fixed asset is capitalised only if it increases the future benefits from the existing assets beyond its previously assessed standards of performance.

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by the Company's management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed.

Assets acquired on finance leases and lease hold improvements are depreciated over the period of the lease agreement or the useful life whichever is shorter. Land is not depreciated.

## NOTES TO FINANCIAL STATEMENTS

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

	Years
Buildings	
- Factory and administrative buildings	20 to 30
- Ancillary structures	3 to 10
Plant and machinery	3 to 15
Electrical equipment	5 to 15
Laboratory equipment	5 to 15
Furniture, fixtures and office equipment	3 to 8
Vehicles	4 to 5

Gains or losses from disposal of tangible fixed assets are recognised in the statement of profit and loss.

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.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Advances paid towards acquisition of tangible fixed assets outstanding at each balance sheet date are shown under long term loans and advances. Cost of assets not ready for intended use, as on the balance sheet date, is shown as capital work-in-progress.

### e) Borrowing costs

General and specific borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised. Borrowing costs are interest and other costs incurred by the Company in connection with the borrowing of funds. All other borrowing costs are recognised in the statement of profit and loss in the period in which they are incurred.

### f) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition including any import duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), and any directly attributable expenditure in making the asset ready for its intended use.

Intangible assets are amortised on a systematic basis over the best estimate of their useful lives, commencing from the date the asset is available to the Company for its use.

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

	Years
Goodwill	14
Customer contracts	2 to 5
Technical know-how	10
Product related intangibles	5 to 15
Copyrights and Patents (including marketing / distribution rights)	3 to 15
Others	3 to 5

The amortisation period and the amortisation method for intangible assets are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and disposal. Gains or losses arising from the disposal of intangible assets are recognised in the statement of profit and loss.

### g) Investments

Investments that are readily realisable and are intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as non current investments.

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

Non current investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment. The reduction in the carrying amount is reversed when there is a rise in the value of the investment or if the reasons for the reduction no longer exist. Any reduction in the carrying amount and any reversal in such reductions are charged or credited to the statement of profit and loss.



## NOTES TO FINANCIAL STATEMENTS

### h) Inventories

Inventories are valued at the lower of cost and net realisable value (NRV). Cost of inventories comprises all cost of purchase, production or conversion costs and other costs incurred in bringing the inventories to their present 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. The cost of all categories of inventory is determined using weighted average cost method. NRV is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### i) Research and development

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized as expense 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 expenditure is capitalized only if:

- a) the product or the process is technically and commercially feasible;
- b) future economic benefits are probable and ascertainable;
- c) the Company intends to and has sufficient resources, technical and financial, to complete development of the product and has the ability to use or sell the asset; and
- d) development costs can be measured reliably.

### j) Employee benefits

#### Defined benefit plans

The liability in respect of defined benefit plans and other post-employment benefits is calculated using the projected unit credit method and spread over the period during which the benefit is expected to be derived from employees' services, consistent with the advice of qualified actuaries. The long term obligations are measured at present value of estimated future cash flows discounted at rates reflecting the yields on risk free government bonds that have maturity dates approximating the terms of the Company's obligations. Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

All actuarial gains and losses arising during the year are recognized in the statement of profit and loss.

#### 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.

#### Defined contribution plans

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

#### Compensated leave of absence

The Company provides for accumulation of compensated absences by certain categories of its employees. These employees can carry forward a portion of the unutilized compensated absences and utilize it in future periods or receive cash in lieu thereof as per Company policy. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The measurement of such obligation is based on actuarial valuation as at the balance sheet date carried out by a qualified actuary.

#### Employee stock option schemes

In accordance with the SEBI guidelines, the cost is calculated based on intrinsic value method i.e., the excess of the market price of shares, at the date prior to the day of grant of options under the Employee stock option schemes, over the exercise price is treated as employee compensation and amortised over the vesting period.

### k) Foreign currency transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

Exchange differences arising on a monetary item that, in substance, forms part of the Company's net investment in a non integral foreign operation are accumulated in a foreign currency translation reserve in the Company's financial statements. Such exchange differences are recognized in the statement of profit and loss in the event of disposal of the net investment.

## NOTES TO FINANCIAL STATEMENTS

### l) Derivative instruments and hedge accounting

The Company uses forward contracts, option contracts and swap contracts (derivatives) to mitigate its risk of changes in foreign currency exchange rates and interest rates. The Company does not use derivatives for trading or speculative purposes.

The premium or discount on foreign exchange forward contracts is amortized as income or expense over the life of the contract. The exchange difference is calculated and recorded in accordance with AS 11 (revised) "The Effect of Changes in Foreign Exchange Rates" in the statement of profit and loss. The changes in the fair value of foreign currency option contracts and swap contracts are recognised in the statement of profit and loss as they arise. Fair value of such option contracts and swap contracts is determined based on the appropriate valuation techniques considering the terms of the contract.

Pursuant to ICAI Announcement "Accounting for Derivatives" on the early adoption of AS 30 "Financial Instruments: Recognition and Measurement", the Company has adopted the Standard, to the extent that the adoption does not conflict with existing mandatory accounting standards and other authoritative pronouncements, the Companies Act, 2013 and other regulatory requirements.

#### Cashflow hedges

The Company classifies its derivative contracts that hedge foreign currency risk associated with highly probable forecasted transactions as cash flow hedges and measures them at fair value. The effective portion of such cash flow hedges is recorded as part of reserves and surplus within the Company's "hedging reserve", and re-classified into the statement of profit and loss as revenue in the period corresponding to the occurrence of the forecasted transactions. The ineffective portion is immediately recorded in the statement of profit and loss.

The Company also designates certain non derivative financial liabilities, such as foreign currency borrowings from banks, as hedging instruments for the hedge of foreign currency risk associated with highly probable forecasted transactions and, accordingly, applies cash flow hedge accounting for such relationships. Re-measurement gain/loss on such non derivative financial liabilities is recorded as part of reserves and surplus within the Company's "hedging reserve", and re-classified in the statement of profit and loss as revenue in the period corresponding to the occurrence of the forecasted transactions.

If the hedging instrument no longer meets the criteria for hedge accounting, gets expired or is sold, terminated or exercised before the occurrence of the forecasted transaction, the hedge accounting on such transaction is discontinued prospectively. The cumulative gain or loss previously recognized in hedging reserve continues to remain there until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, the balance in hedging reserve is recognized immediately in the statement of profit and loss.

### m) Revenue recognition

#### Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is reasonably certain, 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 includes excise duty and is net of returns, sales tax and applicable trade discounts and allowances.

Revenue includes shipping and handling costs billed to the customer.

#### Sales returns

The Company accounts for sales returns 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 estimate of sales returns is determined primarily by the Company's historical experience in the markets in which the Company operates.

#### 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.

Revenue in an amount equal to the base purchase price is recognized in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognized 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.

#### Service Income

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

## NOTES TO FINANCIAL STATEMENTS

### 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 recognized in the period in which the Company completes all its performance obligations.

### Dividend and interest income

Dividend income is recognised when the unconditional right to receive the income is established. Income from interest on deposits, loans and interest bearing securities is recognised on a time proportion basis.

### Export incentives

Export incentives are recognised as reduction from cost of material consumed when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

## n) Income tax expense

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

### Current tax

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

### Deferred tax

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

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

### Minimum Alternate Tax

Minimum Alternate Tax ("MAT") credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. Such asset is reviewed at each balance sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer convincing evidence to the effect that the Company will pay normal income tax during the specified period.

## o) Earnings per share

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

## p) Provisions and contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

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 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.

## NOTES TO FINANCIAL STATEMENTS

### q) Impairment of assets

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets (Cash Generating Unit or CGU) that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. Value in use is the present value of the estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

If such recoverable amount of the asset or the recoverable amount of the CGU to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of amortised historical cost.

### r) Leases

At the inception of the lease, a 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 a lease that transfers substantially all the risks and rewards incident to ownership of an asset. 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 balance sheet. 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.

### s) 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.



## NOTES TO FINANCIAL STATEMENTS

### NOTE 2: NOTES TO FINANCIAL STATEMENTS

2.1 SHARE CAPITAL		AS AT	AS AT
PARTICULARS		31 MARCH 2016	31 MARCH 2015
Authorised			
240,000,000 (previous year: 240,000,000) equity shares of ₹ 5/- each		1,200	1,200
Issued			
170,607,853 (previous year: 170,381,374) equity shares of ₹ 5/- each fully paid-up		853	852
Subscribed and fully paid-up			
170,607,653 (previous year: 170,381,174) equity shares of ₹ 5/- each fully paid-up		853	852
Add: Forfeited share capital (e)		- 853	- 852
		<b>853</b>	<b>852</b>

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

PARTICULARS	AS AT		AS AT	
	31 MARCH 2016		31 MARCH 2015	
	NO. OF EQUITY SHARES	AMOUNT	NO. OF EQUITY SHARES	AMOUNT
Number of shares outstanding at the beginning of the year	170,381,174	852	170,108,868	851
Add: Equity shares issued pursuant to employee stock option plan	226,479	1	272,306	1
Number of shares outstanding at the end of the year	170,607,653	853	170,381,174	852

(b) Terms / rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 5 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. During the year ended 31 March 2016, the amount of per share dividend recognized as distributions to equity shareholders is ₹ 20 (previous year: ₹ 20). The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. Further, the total number of shares considered for dividend is after giving effect to the number of shares that are bought back by the Company pursuant to the share buyback scheme commenced on 18 April 2016 (Refer note 2.45). In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

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

PARTICULARS	AS AT		AS AT	
	31 MARCH 2016		31 MARCH 2015	
	NO. OF EQUITY SHARES HELD	% OF EQUITY SHARES HELD	NO. OF EQUITY SHARES HELD	% OF EQUITY SHARES HELD
Dr. Reddy's Holdings Limited	39,961,234	23.42	39,729,284	23.32
First State Investments Management (UK) Limited, First State Investments International Limited and their associates*	15,260,425	8.94	14,389,390	8.45

\* Does not include ADR holding.

(d) 427,348 (previous year: 585,454) stock options are outstanding and are to be issued by the Company upon exercise of the same in accordance with the terms of exercise under the "Dr. Reddy's Employees Stock Option Plan 2002" and 92,043 (previous year: 98,350) stock options are outstanding and are to be issued by the Company upon exercise of the same in accordance with the terms of exercise under the "Dr. Reddy's Employees ADR Stock Option Plan 2007". (Refer note 2.30)

(e) Represents 200 (previous year: 200) equity shares of ₹ 5/- each, amount paid-up ₹ 500/- (rounded off in millions in the note above) forfeited due to non-payment of allotment money.

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

## NOTES TO FINANCIAL STATEMENTS

2.2 RESERVES AND SURPLUS		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
<b>Capital reserve</b>		
Balance at the beginning of the year	267	267
Movement during the year	-	-
	<b>267</b>	<b>267</b>
<b>Securities premium account</b>		
Balance at the beginning of the year	19,591	19,157
Add: Employee stock options exercised during the year	430	434
	<b>20,021</b>	<b>19,591</b>
<b>Employee stock options outstanding*</b>		
Balance at the beginning of the year	905	815
Add: Amortisation during the year, net of forfeiture	426	519
Less: Employee stock options exercised during the year	(430)	(429)
	<b>901</b>	<b>905</b>
* Net of deferred employee stock compensation of ₹ Nil (previous year: ₹ 713) (a)		
<b>General reserve</b>		
Balance at the beginning of the year	17,268	15,589
Add: Transferred from surplus	1,355	1,679
	<b>18,623</b>	<b>17,268</b>
<b>Foreign currency translation reserve (b)</b>		
Balance at the beginning of the year	(208)	17
Movement during the year	(121)	(225)
	<b>(329)</b>	<b>(208)</b>
<b>Hedging reserve</b>		
Balance at the beginning of the year	46	(5)
Movement during the year	(66)	51
	<b>(20)</b>	<b>46</b>
<b>Surplus</b>		
Balance at the beginning of the year	67,619	56,599
Add: Current year profit	13,545	16,794
Amount available for appropriations	<b>81,164</b>	<b>73,393</b>
Less: Appropriations:		
Proposed dividend on equity shares	3,405	3,408
Tax on proposed dividend	693	694
Dividend of previous years	5	6
Credit of dividend distribution tax (c)	(32)	(13)
Transferred to general reserve	1,355	1,679
Balance carried forward	<b>75,738</b>	<b>67,619</b>
	<b>115,201</b>	<b>105,488</b>

- (a) Effective 1 October 2015, the Company applied Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, which require the employee share based payments to be accounted under the Guidance note on Accounting for Employee Share-based Payments issued by the Institute of Chartered Accountants of India (ICAI). Consequent to such change, deferred employee stock compensation account has been de-recognised to conform to the new accounting pronouncement.
- (b) The foreign currency translation reserve comprises exchange difference on loans and advances that in substance form part of net investment in Industrias Quimicas Falcon de Mexico S.A. de C.V. (Mexico), a non-integral foreign operation as defined in AS 11 (Revised 2003) on "The Effects of Changes in Foreign Exchange Rates". These exchange differences will be recognised in the statement of profit and loss in the event of disposal of such net investments.
- (c) Credit of dividend distribution tax pertains to the availment of dividend distribution tax paid by Aurigene Discovery Technologies Limited, a subsidiary company on payment of dividend to the Company.

## NOTES TO FINANCIAL STATEMENTS

2.3 BORROWINGS		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
A) Long term borrowings		
<i>Secured</i>		
Long term maturities of finance lease obligations (a)	1	8
<i>Unsecured</i>		
Sales tax deferment loan from the Government of Telangana (interest free) (b)	5	8
Long term loans from banks (c)	9,938	9,375
	<b>9,944</b>	<b>9,391</b>
B) Short term borrowings		
<i>Unsecured</i>		
From banks		
Packing credit loans (d)	20,896	20,857
Other short term borrowing (e)	-	1,000
	<b>20,896</b>	<b>21,857</b>

(a) Finance lease obligations are towards lease rentals payable for the vehicles leased by the Company. Lease rentals are paid in monthly instalment, with the last instalment due in April 2017.

(b) Sales tax deferment loan is repayable in 4 instalments, with the last instalment due on 31 March 2019.

(c) External Commercial Borrowing of USD 150 million carrying interest rate of LIBOR plus 125 bps is repayable in five equal quarterly instalments ending in February 2019. As part of the loan arrangement, the Company is required to comply with certain financial covenants and the Company was in compliance with such covenants as at 31 March 2016 and 31 March 2015.

(d) Packing credit loans for the current year comprised of USD and EUR denominated loans carrying interest rates of LIBOR minus 5 to plus 15 bps and RUB denominated loans carrying fixed interest rate of 10.65% - 11.57%, and are repayable within 6 to 12 months from the date of drawdown. Packing Credit loans for the previous year comprised of USD and EUR denominated loans carrying interest rates of LIBOR plus 7.5 - 40 bps and RUB denominated loans carrying fixed interest rate of 9.80% - 22.30%, and are repayable within 3 to 12 months from the date of drawdown.

(e) Other short term borrowing as at 31 March 2015 comprised of INR denominated loan of ₹ 1,000 carrying fixed interest rate of 10.00%, which has been repaid in April 2015.

2.4 OTHER LIABILITIES		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
A) Other long term liabilities		
Deferred revenue*	-	67
Long term incentive plan	571	188
	<b>571</b>	<b>255</b>
B) Other current liabilities		
Current maturities of long term borrowings		
Finance lease obligations	8	6
Sales tax deferment loan from the Government of Telangana (interest free)	3	7
Due to capital creditors	2,526	2,048
Payable to subsidiary companies including step down subsidiaries	2,836	2,662
Interest accrued but not due on loan	7	65
Unclaimed dividends, debentures and debenture interest (a)	61	57
Accrued expenses	6,375	4,914
Salary and bonus payable	1,583	1,305
Derivative financial instrument liability	52	109
Due to statutory authorities	264	252
Trade and security deposits received	74	171
Others	306	778
	<b>14,095</b>	<b>12,374</b>

(a) Unclaimed amounts are transferred to Investor Protection and Education Fund after seven years from the due date.

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

## NOTES TO FINANCIAL STATEMENTS

<b>2.5 PROVISIONS</b>		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
<b>A) Long term provisions</b>		
Provision for employee benefits		
Compensated absences	508	387
Long service award benefit plan	157	111
	<b>665</b>	<b>498</b>
<b>B) Short term provisions</b>		
Provision for employee benefits		
Gratuity	237	79
Compensated absences	202	155
Long service award benefit plan	19	14
Other provisions		
Allowance for sales returns (a)	910	725
Proposed dividend	3,405	3,408
Tax on proposed dividend	693	694
Others	338	320
	<b>5,804</b>	<b>5,395</b>
(a) Details of changes in allowance for sales returns during the year are as follows:		
Balance at the beginning of the year	725	600
Provision made during the year	758	660
Provision utilised during the year	(573)	(535)
Balance at the end of the year	<b>910</b>	<b>725</b>

<b>2.6 TRADE PAYABLES</b>		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
Payable to third parties		
Due to micro, small and medium enterprises	20	79
Others	6,768	6,025
Payable to subsidiary companies including step down subsidiaries	404	1,056
	<b>7,192</b>	<b>7,160</b>

- (a) The principal amount remaining unpaid as at 31 March 2016 in respect of enterprises covered under the "Micro, Small and Medium Enterprises Development Act, 2006" (MSMDA) is ₹ 20 (previous year: ₹ 79). The interest amount computed based on the provisions under Section 16 of the MSMDA of ₹ 0.11 (previous year: ₹ 0.09) is remaining unpaid as of 31 March 2016. The interest amount of ₹ 0.06 that remained unpaid as at 31 March 2015 was paid fully during the current year.
- (b) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act is ₹ Nil (previous year: ₹ Nil).
- (c) The list of undertakings covered under MSMDA was determined by the Company on the basis of information available with the Company and has been relied upon by the auditors.

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

## NOTES TO FINANCIAL STATEMENTS

2.7	FIXED ASSETS	GROSS BLOCK			ACCUMULATED DEPRECIATION / AMORTISATION / IMPAIRMENT			NET BLOCK	
		AS AT 1 APRIL 2015	ADDITIONS	DELETIONS	AS AT 31 MARCH 2016	FOR THE YEAR	DELETIONS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
	<i>Tangible assets</i>								
	Land	1,262	23	2	1,283	-	-	1,283	1,262
	Buildings	12,294	2,101	-	14,395	491	-	2,883	11,512
	Plant and machinery	28,854	5,270	191	33,933	3,284	189	17,362	16,571
	Electrical equipment	4,675	949	10	5,614	513	9	2,698	2,481
	Laboratory equipment	5,080	1,157	387	5,850	603	378	3,089	2,761
	Furniture and fixtures	901	90	41	950	96	40	723	227
	Office equipment	2,003	401	115	2,289	356	111	1,668	621
	Vehicles								580
	Owned	146	37	11	172	13	10	126	46
	Leased	35	-	-	35	8	-	34	1
	<b>Total tangible assets (A)</b>	<b>55,250</b>	<b>10,028</b>	<b>757</b>	<b>64,521</b>	<b>5,364</b>	<b>737</b>	<b>28,583</b>	<b>31,294</b>
	Previous year	47,481	8,935	1,166	55,250	4,374	962	23,956	31,294
	<i>Intangible assets</i>								
	Goodwill	-	323	-	323	13	-	13	310
	Customer contracts	243	-	-	243	-	-	243	-
	Technical know how	470	-	-	470	459	-	459	11
	Product related intangible	1,795	6,797	-	8,592	912	-	1,709	6,883
	Copyrights and patents (including marketing / distribution rights)	183	811	-	994	46	-	229	765
	Others	215	351	-	566	156	-	180	386
	<b>Total intangible assets (B)</b>	<b>2,906</b>	<b>8,282</b>	<b>-</b>	<b>11,188</b>	<b>1,127</b>	<b>-</b>	<b>2,833</b>	<b>1,200</b>
	Previous year	1,516	1,390	-	2,906	528	208	1,706	1,200
	<b>Total (A+B)</b>	<b>58,156</b>	<b>18,310</b>	<b>757</b>	<b>75,709</b>	<b>6,491</b>	<b>737</b>	<b>31,416</b>	<b>32,494</b>
	Previous year	48,997	10,325	1,166	58,156	4,902	962	25,662	32,494

## Notes:

- Depreciation and amortisation for the year includes an amount of ₹ 595 (previous year: ₹ 478) pertaining to assets used for research and development. During the year, Company incurred ₹ 1,303 (previous year: ₹ 689) towards capital expenditure for research and development. (Refer note 2.39)
- The Company has capitalised borrowing costs of ₹ 51 (previous year: ₹ 31) during the year ended 31 March 2016.
- Additions to intangible assets include an amount of ₹ 7,800 paid for acquisition of select established brand portfolio of UCB. (Refer note 2.40)



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

## NOTES TO FINANCIAL STATEMENTS

2.8 NON CURRENT INVESTMENTS		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
Non current investments at cost		
<b>I. Quoted investments</b>		
<i>Equity shares (fully paid-up)</i>		
120,000 (previous year: 120,000) equity shares of ₹ 1/- (previous year: ₹ 1/-) each of State Bank of India (a)	3	3
<b>Total quoted non current investments (I)</b>	<b>3</b>	<b>3</b>
<b>II. Unquoted investments</b>		
<b>Trade</b>		
<i>In subsidiary companies</i>		
<i>Equity shares (fully paid-up)</i>		
105,640,410 (previous year: 105,640,410) ordinary shares of CHF 1 each of Dr. Reddy's Laboratories SA, Switzerland	13,515	13,515
2,377,826 (previous year: 2,377,826) equity shares of ₹ 10/- each of Idea2Enterprises India Private Limited, India	1,447	1,447
90,544,104 (previous year: 90,544,104) equity shares of ₹ 10/- each of Aurigene Discovery Technologies Limited, India	974	974
140,526,270 (previous year: 140,526,270) Series "A" shares of Peso 1 each of Industrias Quimicas Falcon de Mexico S.A. de C.V., Mexico	709	709
26,699,230 (previous year: 26,699,230) shares of Real \$ 1 each of Dr. Reddy's Farmaceutica Do Brasil Ltda., Brazil	792	634
66,000,000 (previous year: 50,000) equity shares of ₹ 10/- each of DRL Impex Limited, India	660	1
9,066,000 (previous year: 9,066,000) ordinary shares of Euro 1 each of Reddy Pharma Iberia SA, Spain	566	566
54,022,070 (previous year: 54,022,070) equity shares of ₹ 10/- each of Dr. Reddy's Bio-sciences Limited, India	466	466
1,131,646 (previous year: 1,131,646) equity shares of USD 1 each of Reddy Antilles N.V., Netherlands	52	52
2,500 (previous year: 2,500) ordinary shares of FF 100 each of Reddy Cheminor S.A., France	2	2
134,513 (previous year: 134,513) equity shares of ₹ 10/- each of Cheminor Investments Limited, India	1	1
50,000 (previous year: 50,000) equity shares of ₹ 1/- each of Dr. Reddy's Pharma SEZ Limited, India	1	1
	<b>19,185</b>	<b>18,368</b>
<i>Less: Provision for decline, other than temporary, in the value of non current investments:</i>		
Reddy Pharma Iberia SA, Spain	(566)	(566)
Dr. Reddy's Farmaceutica Do Brasil Ltda., Brazil	(634)	(634)
DRL Impex Limited, India	(660)	-
<b>Total unquoted trade investments in equity shares of subsidiary companies, net (A)</b>	<b>17,325</b>	<b>17,168</b>
<i>In joint venture</i>		
Equity shares held in Kunshan Rotam Reddy Pharmaceutical Co. Limited, China (b)	429	429
260,000 (previous year: Nil) equity shares of ₹ 10/- each of DRES Energy Private Limited, India	3	-
26,000 (previous year: 26,000) equity shares of ₹ 10/- each of DRSS Solar Power Private Limited, India (c)	-	-
	<b>432</b>	<b>429</b>
<i>Less: Provision for decline, other than temporary, in the value of non current investments (c)</i>	-	-
<b>Total unquoted trade investments in equity shares of joint venture companies (B)</b>	<b>432</b>	<b>429</b>

## NOTES TO FINANCIAL STATEMENTS

2.8 NON CURRENT INVESTMENTS (CONTINUED)		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
<i>In other companies</i>		
<i>Equity shares (fully paid-up)</i>		
Ordinary shares of Biomed Russia Limited, Russia (b)	66	66
200,000 (previous year: 200,000) ordinary shares of ₹ 10/- each of Altek Engineering Limited, India	2	2
8,859 (previous year: 8,859) equity shares of ₹ 100/- each of Jeedimetla Effluent Treatment Limited, India	1	1
24,000 (previous year: 24,000) equity shares of ₹ 100/- each of Progressive Effluent Treatment Limited, India	2	2
	71	71
Less: Provision for decline, other than temporary, in the value of non current investments	(70)	(70)
Total unquoted trade investments in equity shares of other companies, net (C)	1	1
Total unquoted non current investments (II) (A+B+C)	17,758	17,598
<b>Total (I + II)</b>	<b>17,761</b>	<b>17,601</b>
Aggregate amount of quoted investments	3	3
Aggregate amount of unquoted investments	19,688	18,868
Aggregate provision for diminution in value of investments	1,930	1,270
Market value of quoted investments	23	32

- (a) In respect of shares of State Bank of India, the share certificates were misplaced during transfer/lost in transit. The Company has initiated necessary legal action at the appropriate courts.
- (b) Shares held in Kunshan Rotam Reddy Pharmaceutical Co. Limited, China and Biomed Russia Limited, Russia are not denominated in number of shares as per the laws of the respective countries.
- (c) Rounded off in millions in the note above.

2.9 LONG TERM LOANS AND ADVANCES		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
<i>Unsecured</i>		
<i>Considered good</i>		
Loans and advances to wholly owned subsidiaries (a)	2,200	2,283
Advance income tax (net of provisions ₹ 30,715; previous year: ₹ 26,557)	1,513	1,576
MAT credit entitlement	1,614	644
Capital advances for purchase of fixed assets	613	610
Security deposits	452	418
Other advances	4	7
<i>Considered doubtful</i>		
Loans and advances to wholly owned subsidiaries (a)	422	1,059
Others	8	8
	6,826	6,605
Less: Provision for doubtful loans and advances [Refer Note 2.36 (a)]	(430)	(1,067)
	6,396	5,538

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

## NOTES TO FINANCIAL STATEMENTS

### 2.9 LONG TERM LOANS AND ADVANCES (CONTINUED)

(a) Loans and advances to wholly owned subsidiaries comprise:

PARTICULARS	BALANCE AS AT		MAXIMUM AMOUNT OUTSTANDING AT ANY TIME DURING THE YEAR ENDED	
	31 MARCH 2016	31 MARCH 2015	31 MARCH 2016	31 MARCH 2015
DRL Impex Limited, India	110	759	768	2,061
Reddy Antilles N.V., Netherlands	344	324	357	331
Dr. Reddy's Laboratories Romania SRL, Romania	-	-	-	27
Dr. Reddy's Farmaceutica Do Brasil Ltda., Brazil	321	302	333	308
Industrias Quimicas Falcon de Mexico S.A. de C.V., Mexico	1,847	1,957	2,004	2,265
Chemisor Investments Limited, India (b)	-	-	-	-
Dr. Reddy's Bio-sciences Limited, India (b)	-	-	-	-
	<b>2,622</b>	<b>3,342</b>		

(b) Rounded off in millions in the note above.

(c) The settlement of loans and advances to wholly owned subsidiaries is neither planned nor likely to occur in the next twelve months. Loans given to Reddy Antilles N.V., Netherlands, Dr. Reddy's Farmaceutica Do Brasil Ltda., Brazil, Chemisor Investments Limited, India and Dr. Reddy's Bio-sciences Limited, India are interest free. Other loans carry the following rates of interest:

Loan to	Interest rate per annum
DRL Impex Limited, India	1.75%
Industrias Quimicas Falcon de Mexico S.A. de C.V., Mexico	9%

(d) Loans and advances to wholly owned subsidiaries are given for the purpose of working capital and other business requirements.

### 2.10 CURRENT INVESTMENTS

PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
Current investments at cost or fair value whichever is lower		
Unquoted investments		
<i>In Mutual Funds</i>		
69,353,256.42 (Previous year : Nil) units of Sundaram Ultra Short Term Direct Plan - Growth	1,400	-
64,538,060.23 (Previous year : 64,538,060.23) units of FRF - ST - Direct Plan - Growth	1,400	1,400
601,300.54 (Previous year: Nil) units of Axis Liquid Fund - Direct Growth	1,006	-
36,945,933.17 (Previous year: Nil) units of TATA Short Term Bond Fund - Direct Plan - Growth	1,000	-
5,645,004.92 (Previous year: 5,645,004.92) units of Birla Sun Life Treasury Optimizer Plan - Direct Plan - Growth	950	950
379,714.91 (Previous year: Nil) units of SBI Premier Liquid Fund Direct Plan - Growth	900	-
64,875,313.04 (Previous year: 64,875,313.04) units of HDFC Short Term Opportunities Fund Direct Plan - Growth	900	900
30,835,232.65 (Previous year: 30,835,232.65) units of Reliance Short Term Fund - Direct Plan - Growth	818	800
19,368,651.66 (Previous year: Nil) units of JM High Liquidity Fund Direct Plan - Growth	800	-
34,380,315.6 (Previous year: 34,380,315.6) units of IDFC SSIF MTP - Direct Plan - Growth	796	796
339,126.03 (Previous year: Nil) units of L&T Liquid Fund - Direct Plan - Growth	703	-
46,042,021.04 (Previous year: Nil) units of ICICI Prudential Ultra Short Term Fund - Direct Plan - Growth	696	-
41,901,855.65 (Previous year: 41,901,855.65) units of Axis Short Term Fund - Direct Plan - Growth	636	600
251,807.51 (Previous year: Nil) units of TATA Money Market Fund - Direct Plan - Growth	600	-
452,661.06 (Previous year: Nil) units of L&T Cash Fund - Direct Plan - Growth	550	-
19,461,900.08 (Previous year: 26,714,767.68) units of IDFC Super Saver Income Fund Short Term Direct Plan - Growth	545	749
2,221,838.27 (Previous year: Nil) units of Birla Sun Life Cash Plus - Direct Plan - Growth	538	-
231,614.07 (Previous year: Nil) units of Reliance Liquidity Fund - Direct Plan - Growth	526	-
9,658,401.65 (Previous year: 9,658,401.65) units of Birla SL Short Term Fund - Direct Plan - Growth	519	500
2,475,861.43 (Previous year: 5,179,111.81) units of ICICI PRU Money Market Fund - Direct Plan - Growth	516	1,000

## NOTES TO FINANCIAL STATEMENTS

2.10 CURRENT INVESTMENTS (CONTINUED)		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
2,524,974.07 (Previous year: Nil) units of Birla Sun Life Floating Rate Fund Short Term Plan - Direct Plan - Growth	507	-
205,578.34 (Previous year: 355,660.52) units of Reliance Liquid Fund - Cash Plan - Direct Plan - Growth	500	800
21,501,954.53 (Previous year: 21,501,954.53) units of HSBC Income Fund Short Term Plan Direct Plan - Growth	500	500
43,119,046.28 (Previous year: 32,578,578.23) units of JM Arbitrage Adv Fund - Direct Plan - Annualised Bonus Plan principal units	437	324
36,949,111.84 (Previous year: Nil) units of DSP BR Ultra Term Plan - Direct Plan - Growth	400	-
133,884.04 (Previous year: Nil) units of HDFC Liquid Fund Direct Plan - Growth	400	-
19,848,260.05 (Previous year: 19,848,260.05) units of ICICI Prudential Blended Plan B - Direct Plan - Growth	400	400
14,286,666.73 (Previous year: Nil) units of IDFC Ultra Short Term Fund - Direct Plan - Growth	300	-
29,038,262.9 (Previous year: 29,038,262.9) units of Sundaram Ultra Short Term Direct Plan - Bonus Plan	300	300
23,287,586.16 (Previous year: Nil) units of IDFC Banking Debt Fund Fund - Direct Plan - Growth	300	-
25,930,471.76 (Previous year: 25,930,471.76) units of DHFL Pramerica Medium Term Income Fund Direct Plan - Growth	300	300
11,677,286.51 (Previous year: Nil) units of HDFC FRIF STF WP - Direct Plan - Growth	300	-
1,135,704.56 (Previous year: 2,415,432.1) units of ICICI PRU Liquid Fund - Direct Plan - Growth	252	500
123,620.84 (Previous year: Nil) units of IDFC Cash Fund - Direct Plan - Growth	227	-
102,256.46 (Previous year: Nil) units of TATA Treasury Manager Fund - Direct Plan - Growth	200	-
Nil (Previous year: 45,236,290.51) units of IDFC Money Manager Fund - TP- Direct Plan - Growth	-	1,000
Nil (Previous year: 52,118,621.98) units of JP Morgan India Active Bond Fund - Direct Plan - Growth	-	800
Nil (Previous year: 17,284,292.04) units of Reliance Medium Term Fund - Direct Plan - Growth	-	500
Nil (Previous year: 23,473,811.05) units of Sundaram Ultra Short Term Direct Plan - Growth	-	450
Nil (Previous year: 710,645.78) units of Axis Banking Debt Fund - Direct Plan - Growth	-	905
Nil (Previous year: 26,899,798.25) units of BNP Paribas Medium Term Income Fund Direct Plan - Growth	-	300
Nil (Previous year: 45,394,706.98) units of HDFC Banking & PSU Debt Fund - Direct Plan - Growth	-	500
Nil (Previous year: 17,169,327.34) units of HDFC Cash Mgmt Fund - Savings Plan - Growth	-	500
Nil (Previous year: 1,077,125.72) units of HSBC Cash Fund - Direct plan - Growth	-	1,500
Nil (Previous year: 24,759,220.58) units of IDFC Arbitrage Plus Fund Direct Plan DIV Pay out	-	298
Nil (Previous year: 259,865.94) units of Reliance Money Manager Fund - Direct Plan - Growth	-	500
Nil (Previous year: 19,165,753.09) units of Tata Short Term Bond Fund Direct Plan - Growth	-	500
Nil (Previous year: 193,949.96) units of TATA Liquid Fund - Direct Plan - Growth	-	500
Nil (Previous year: 323,235.94) units of SBI Magnum Insta Cash plan - Direct Plan - Growth	-	1,000
Nil (Previous year: 442,568.54) units of L&T Cash Fund - Direct Plan - Growth	-	500
Nil (Previous year: 33,255,736.62) units of ICICI Prudential blended plan - Regular dividend	-	450
	21,122	21,022

2.11 INVENTORIES		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
(Valued on weighted average basis)		
Raw materials (includes in-transit: ₹ 49; previous year: ₹ 39)	5,065	5,744
Work-in-progress	6,402	6,292
Finished goods	2,444	2,377
Stock-in-trade (goods acquired for trading)	1,374	1,263
Stores and spares	902	798
Packing materials	809	759
	16,996	17,233

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

## NOTES TO FINANCIAL STATEMENTS

2.12 TRADE RECEIVABLES		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
<i>Unsecured</i>		
Outstanding for a period exceeding six months		
Considered good	2,771	3,763
Considered doubtful	3,916	305
	<b>6,687</b>	<b>4,068</b>
Less: Provision for doubtful debts (a)	(3,916)	(305)
	<b>2,771</b>	<b>3,763</b>
Others		
Considered good	36,164	43,354
	<b>38,935</b>	<b>47,117</b>

(a) The Company has not received further approvals from the Venezuelan government to repatriate amounts beyond USD 4 million already received during the year. Consequently, the total outstanding receivables from Venezuelan subsidiary amounting to ₹ 3,559 million, has been provided during the year ended 31 March 2016. [Refer note 2.36(a)]

2.13 CASH AND BANK BALANCES		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
Cash on hand	1	1
Bank balances		
In current accounts*	196	335
In EEFC accounts	2	6
In term deposit accounts (original maturity less than 3 months)	1,743	258
Cash and cash equivalents (A)	<b>1,942</b>	<b>600</b>
Other bank balances		
In unclaimed dividend accounts	44	39
In unclaimed fractional share pay order accounts	1	1
In unclaimed debentures and debenture interest account	17	18
In term deposit accounts (original maturity more than 3 months)	10,676	8,356
Other bank balances (B)	<b>10,738</b>	<b>8,414</b>
<b>Total (A+B)</b>	<b>12,680</b>	<b>9,014</b>

\* Includes ₹ 3 representing cash and cash equivalents held in Venezuelan Bolivars, which are subject to foreign exchange controls.

2.14 SHORT TERM LOANS AND ADVANCES		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
<i>Unsecured</i>		
<i>Considered good</i>		
Balances with statutory / government authorities	6,735	7,150
Prepaid expenses	349	311
Other advances	1,242	1,196
<i>Considered doubtful</i>		
Other advances recoverable in cash or in kind or for value to be received	62	51
	<b>8,388</b>	<b>8,708</b>
Less: Provision for doubtful loans and advances	(62)	(51)
	<b>8,326</b>	<b>8,657</b>



## NOTES TO FINANCIAL STATEMENTS

2.15 OTHER ASSETS		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
A) Non current assets		
In term deposit accounts (remaining maturity more than 12 months)	-	11
Other non current assets	27	-
	<b>27</b>	<b>11</b>
B) Current assets		
<i>Considered good</i>		
Claims receivable	330	326
Interest accrued but not due on term deposits	54	92
Derivative financial asset	175	388
Receivables from subsidiary companies including step down subsidiaries:		
Reddy Antilles N.V., Netherlands	18	16
Dr. Reddy's Bio-sciences Limited, India	69	69
Dr. Reddy's Laboratories SA, Switzerland	158	29
Betapharm Arzneimittel GmbH, Germany	1,855	-
Others	15	21
Other current assets	216	49
	<b>2,890</b>	<b>990</b>

2.16 OTHER OPERATING REVENUE		
PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
Sale of spent chemicals	271	521
Scrap sales	206	270
Miscellaneous income	94	44
	<b>571</b>	<b>835</b>

2.17 OTHER INCOME		
PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
Interest income		
On fixed deposits	724	403
On loans to subsidiaries	178	222
Others	261	316
Dividend from mutual fund units	53	26
Dividend from subsidiaries (a)	158	79
Profit on sale of current investments, net	800	699
Foreign exchange gain, net	-	282
Miscellaneous income	274	201
	<b>2,448</b>	<b>2,228</b>

(a) Dividend received from Aurigene Discoveries Technologies Limited, India on equity shares during the year.

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

## NOTES TO FINANCIAL STATEMENTS

2.18 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE				
PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016		FOR THE YEAR ENDED 31 MARCH 2015	
<i>Opening</i>				
Work-in-progress	6,292		6,007	
Finished goods	2,377		2,696	
Stock-in-trade	1,263	9,932	940	9,643
<i>Closing</i>				
Work-in-progress	6,402		6,292	
Finished goods	2,444		2,377	
Stock-in-trade	1,374	10,220	1,263	9,932
		(288)		(289)

2.19 EMPLOYEE BENEFITS EXPENSE			
PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016		FOR THE YEAR ENDED 31 MARCH 2015
Salaries, wages and bonus		14,339	12,257
Contribution to provident and other funds		1,036	728
Staff welfare expenses		1,299	1,405
Stock compensation expense		426	519
		17,100	14,909

2.20 FINANCE COSTS			
PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016		FOR THE YEAR ENDED 31 MARCH 2015
Interest on long term borrowings		163	190
Interest on other borrowings		477	457
Changes in fair valuation of current investments		(2)	(9)
		638	638

## NOTES TO FINANCIAL STATEMENTS

2.21 OTHER EXPENSES		
PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
Consumption of stores, spares and other materials	4,291	3,755
Clinical trial expenses	1,934	1,778
Other research and development expenses	4,941	4,195
Advertisements	193	206
Commission on sales	145	163
Carriage outwards	2,160	2,535
Other selling expenses	6,776	7,730
Repairs and maintenance		
Buildings	325	267
Plant and machinery	808	646
Others	1,234	1,110
Power and fuel	2,781	2,971
Legal and professional	4,413	2,747
Travel and conveyance	884	813
Non executive directors' remuneration	78	80
Foreign exchange loss, net	153	-
Rent	190	201
Rates and taxes	167	137
Corporate Social Responsibility and donations*	423	313
Insurance	310	273
Loss on sale of fixed assets, net	80	120
Auditors' remuneration (Refer note 2.28)	14	14
Provision for doubtful debts, net	58	98
Provision for doubtful advances, net	11	198
Other general expenses	1,925	1,817
	<b>34,294</b>	<b>32,167</b>

\* Includes an amount of ₹ 412 (Previous Year: ₹ 292) incurred during the year ended 31 March 2016 towards various Corporate Social Responsibility (CSR) activities in accordance with section 135 of the Companies Act, 2013.

2.22 TAX EXPENSE		
PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
Current tax expense		
Domestic taxes	4,160	4,411
MAT credit entitlement	(970)	(644)
	<b>3,190</b>	<b>3,767</b>
Deferred tax (benefit) / expense		
Domestic taxes	(935)	38
	<b>(935)</b>	<b>38</b>

### 2.23 RESEARCH AND DEVELOPMENT EXPENSES

Details of research and development expenses (excluding depreciation and amortisation expense) incurred during the year and included under various heads of expenditure are given below:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
Employee benefits expense (included in note 2.19)	2,656	2,422
Other expenses (included in note 2.21)		
Clinical trial expenses	1,934	1,778
Materials and consumables	3,087	2,701
Power and fuel	125	134
Other research and development expenses	4,941	4,195
	<b>12,743</b>	<b>11,230</b>

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

## NOTES TO FINANCIAL STATEMENTS

2.24 EARNINGS PER SHARE (EPS)		
PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
<i>Earnings</i>		
Profit for the year	13,545	16,794
<i>Shares</i>		
Number of shares at the beginning of the year	170,381,174	170,108,868
Add: Equity shares issued on exercise of vested stock options	226,479	272,306
Total number of equity shares outstanding at the end of the year	170,607,653	170,381,174
Weighted average number of equity shares outstanding during the year - Basic	170,547,643	170,314,506
Add: Weighted average number of equity shares arising out of outstanding stock options (net of the stock options forfeited) that have dilutive effect on the EPS	603,382	742,463
Weighted average number of equity shares outstanding during the year - Diluted	171,151,025	171,056,969
Earnings per share of par value ₹ 5/- - Basic (₹)	79.42	98.60
Earnings per share of par value ₹ 5/- - Diluted (₹)	79.14	98.18

2.25 CONTINGENT LIABILITIES AND COMMITMENTS		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
(A) Contingent liabilities:		
<i>Guarantees:</i>		
Issued by the Company on behalf of subsidiaries, associates and joint ventures	-	10,419
<i>Claims against the Company not acknowledged as debts in respect of:</i>		
(a) Income tax matters, under dispute (refer note 'k' below)	1,415	1,181
(b) Excise matters (including service tax), under dispute (refer note 'i' below)	509	402
(c) Sales tax matters, under dispute	75	317

(d) DPCO matters

The Company is contesting various demands for payment to the credit of the Drug Prices Equalisation Account under Drugs (Price Control) Order (DPCO), 1995 for few of its products, including norfloxacin. Based on its best estimate, the Company has made a provision for the potential liability related to the allegedly overcharged amount including the interest thereon and believes that the possibility of any liability that may arise on account of penalty on this demand is not probable. In the event the Company is unsuccessful in its litigation in the Supreme Court, it will be required to remit the sale proceeds in excess of the notified selling prices to the Government of India with interest and including penalties, if any, which amounts are not readily ascertainable.

(e) Fuel surcharge adjustment

The Andhra Pradesh Electricity Regulatory Commission (the "APERC") passed various orders approving the levy of Fuel Surcharge Adjustment ("FSA") charges for the period from 1 April 2008 to 31 March 2013 by power distribution companies from all the consumers of electricity in the then existing undivided state of Andhra Pradesh, India where the Company's headquarters and principal manufacturing facilities are located. Separate writ petitions filed by the Company for various periods, challenging and questioning the validity and legality of this levy of FSA charges by the APERC, are pending before the High Court of Andhra Pradesh and the Supreme Court of India.

After taking into account all of the available information and legal provisions, the Company has recorded an amount of ₹ 219 as the potential liability towards FSA charges. The total amount approved by APERC for collection by the power distribution companies from the Company in respect of FSA charges for the period from 1 April 2008 to 31 March 2013 is ₹ 482. As of 31 March 2016, the Company has made "payments under protest" of ₹ 354 as demanded by the power distribution companies as part of monthly electricity bills. The Company remains exposed to additional financial liability should the orders passed by the APERC be upheld by the Courts.

## NOTES TO FINANCIAL STATEMENTS

### 2.25 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

#### (f) Land pollution

The Indian Council for Environmental Legal Action filed a writ in 1989 under Article 32 of the Constitution of India against the Union of India and others in the Supreme Court of India for the safety of people living in the Patancheru and Bollaram areas of Medak district of the then existing undivided state of Andhra Pradesh. The Company has been named in the list of polluting industries. In 1996, the Andhra Pradesh District Judge proposed that the polluting industries compensate farmers in the Patancheru, Bollaram and Jeedimetla areas for discharging effluents which damaged the farmers' agricultural land. The compensation was fixed at ₹ 0.0013 per acre for dry land and ₹ 0.0017 per acre for wet land. Accordingly, the Company has paid a total compensation of ₹ 3. The Company believes that the possibility of additional liability is remote. The Andhra Pradesh High Court disposed of the writ petition on 12 February 2013 and transferred the case to the National Green Tribunal ("NGT"), Chennai, India. The interim orders passed in the writ petitions will continue until the matter is decided by the NGT. The NGT has, through its order dated 30 October 2015, constituted a Fact Finding Committee. The NGT has also permitted the alleged polluting industries to appoint a person on their behalf in the Fact Finding Committee. However, the Company along with the alleged polluting industries have challenged the constitution and composition of the Fact Finding Committee. The NGT has directed that until all the applications challenging the constitution and composition of the Fact Finding Committee are disposed of, the Fact Finding Committee shall not commence its operation.

#### (g) Water pollution and air pollution

During the year ended 31 March 2012, the Company, along-with 14 other companies, received a notice from the Andhra Pradesh Pollution Control Board ("APP Control Board") to show cause as to why action should not be initiated against them for violations under the Indian Water Pollution Act and the Indian Air Pollution Act. Furthermore, the APP Control Board issued orders to the Company to (i) stop production of all new products at the Company's manufacturing facilities in Hyderabad, India without obtaining a "Consent for Establishment", (ii) cease manufacturing products at such facilities in excess of certain quantities specified by the APP Control Board and (iii) furnish a bank guarantee to assure compliance with the APP Control Board's orders.

The Company appealed the APP Control Board orders to the Andhra Pradesh Pollution Appellate Board (the "APP Appellate Board"). The APP Appellate Board, on the basis of a report of a fact-finding advisory committee, recommended to the Andhra Pradesh Government to allow expansion of units fully equipped with Zero-Liquid Discharge ("ZLD") facilities and otherwise found no fault with the Company (on certain conditions). The APP Appellate Board's decision was challenged by one of the petitioners in the National Green Tribunal and the matter is currently pending before it.

Separately, the Andhra Pradesh Government, following recommendations of the APP Appellate Board, published a notification in July 2013 that allowed expansion of production of all types of existing bulk drug and bulk drug intermediate manufacturing units subject to the installation of ZLD facilities and the outcome of cases pending in the National Green Tribunal. Importantly, the notification directed pollution load of industrial units to be assessed at the point of discharge (if any) as opposed to point of generation.

In September 2013, the Ministry of Environment and Forests, based on the revised Comprehensive Environment Pollution Index, issued a notification that re-imposed a moratorium on expansion of industries in certain areas where some of the Company's manufacturing facilities are located. This notification overrides the Andhra Pradesh Government's notification that conditionally permitted expansion.

#### (h) Assessable value of products supplied by a vendor to the Company

During the year ended 31 March 2003, the Central Excise Authorities of India (the "Central Excise Authorities") issued a demand notice to a vendor of the Company regarding the assessable value of products supplied by this vendor to the Company. The Company has been named as a co-defendant in this demand notice. The Central Excise Authorities demanded payment of ₹ 176 from the vendor, including penalties of ₹ 90. Through the same notice, the Central Excise Authorities issued a penalty claim of ₹ 70 against the Company. During the year ended 31 March 2005, the Central Excise Authorities issued an additional notice to this vendor demanding ₹ 226 from the vendor, including a penalty of ₹ 51. Through the same notice, the Central Excise Authorities issued a penalty claim of ₹ 7 against the Company. Furthermore, during the year ended 31 March 2006, the Central Excise Authorities issued an additional notice to this vendor demanding ₹ 34. The Company filed appeals against these notices with the Customs, Excise and Service Tax Appellate Tribunal (the "CESTAT"). In October 2006, the CESTAT passed an order in favor of the Company setting aside all of the above demand notices. In July 2007, the Central Excise Authorities appealed against CESTAT's order in the Supreme Court of India, New Delhi.

On 27 November 2015, the Supreme Court of India dismissed the appeal of the Central Excise Authorities and passed an order in favor of the Company.



## NOTES TO FINANCIAL STATEMENTS

### 2.25 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

#### (i) Distribution of input service tax credits

The Central Excise Authorities have issued various show cause notices to the Company objecting to the Company's methodology of distributing input service tax credits claimed for one of the Company's facilities. The below table shows the details of each of such show cause notices and the consequential actions on and status of the same.

Period covered under the notice	Amount demanded	Status
March 2008 to September 2009	₹ 102 plus 100% penalties and interest thereon	The Company has filed an appeal before the CESTAT.
October 2009 to March 2011	₹ 125 plus penalties of ₹ 100 and interest thereon	The Company has filed an appeal before the CESTAT.
April 2011 to March 2012	₹ 51 plus interest and penalties	The Company has filed an appeal before the CESTAT.
April 2012 to March 2013	₹ 54 plus interest and penalties	The Company has filed an appeal before the CESTAT.
April 2013 to March 2014	₹ 69 plus interest and penalties	The Company has filed an appeal before the CESTAT.
April 2014 to March 2015	₹ 108 plus interest and penalties	The Company is in the process of responding to such notice.

The Company believes that the possibility of any liability that may arise on account of the allegedly inappropriate distribution of input service tax credits is not probable. Accordingly, no provision relating to these claims has been made in the Company's financial statements as at 31 March 2016.

#### (j) Value Added Tax ("VAT") matter

The Company received various show cause notices from the Government of Telangana's Commercial Taxes Department objecting to the Company's methodology of calculation of VAT input credit. The below table shows the details of each of such show cause notices and the consequential actions on and status of the same.

Period covered under the notice	Amount demanded	Status
April 2006 to March 2009	₹ 66 plus 10% penalty	The Company has filed an appeal before the Sales Tax Appellate Tribunal.
April 2009 to March 2011	₹ 59 plus 10% penalty	The Company has filed an appeal before the Sales Tax Appellate Tribunal.
April 2011 to March 2013	₹ 16 plus 10% penalty	The Appellate Deputy Commissioner issued an order partially in favour of the Company. In January 2016, the Assistant Commissioner issued an order partially in favour of the Company.

The Company has recorded a provision of ₹ 27 as of 31 March 2016, and believes that the possibility of any further liability that may arise on account of the allegedly inappropriate claims to VAT credits is not probable.

#### Others

Additionally, the Company is in receipt of various show cause notices from the Indian Sales Tax authorities. The disputed amount is ₹ 57. The Company has responded to such show cause notices and believes that the chances of any liability arising from such notices are less than probable. Accordingly, no provision is made in the Company's financial statements as at 31 March 2016.

#### (k) Direct tax matter

During the year ended 31 March 2014, the Indian Income Tax authorities disallowed for tax purposes certain business transactions entered into by the parent company with its wholly-owned subsidiaries. The associated tax impact is ₹ 570. The Company believes that such business transactions are allowed for tax deduction under Indian Income Tax laws and has accordingly filed an appeal with the Income Tax Appellate Authorities. The Company further believes that the probability of succeeding in this matter is more likely than not and therefore no provision was made in respect of this matter in the Company's financial statements as at 31 March 2016.

Additionally, the Company is contesting various other disallowances by the Indian Income Tax authorities. The associated tax impact is ₹ 845. The Company believes that the chances of an unfavourable outcome in each of such disallowances are less than probable and accordingly, no provision was made in respect of these matters in the Company's financial statements as at 31 March 2016.

## NOTES TO FINANCIAL STATEMENTS

### 2.25 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

(I) Additionally, the Company is involved in other disputes, lawsuits, claims, governmental and/or regulatory inspections, inquiries, investigations and proceedings, including patent and commercial matters that arise from time to time in the ordinary course of business. Except as discussed above, the Company does not believe that there are any such contingent liabilities that are expected to have any material adverse effect on its financial statements.

(B) Commitments:

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	4,872	4,019
--	-------	-------

### 2.26 DEFERRED TAXATION

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

PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
Deferred tax assets		
Trade receivables	1,356	106
Loans and advances	25	23
Other liabilities	492	228
	<b>1,873</b>	<b>357</b>
Deferred tax liability		
Fixed assets	(2,228)	(1,647)
	<b>(2,228)</b>	<b>(1,647)</b>
<b>Deferred tax liability, net</b>	<b>(355)</b>	<b>(1,290)</b>

### 2.27 RELATED PARTY DISCLOSURES

a. List of all the subsidiaries including step down subsidiaries and joint ventures:

#### Subsidiaries including step down subsidiaries:

1. Aurigene Discovery Technologies (Malaysia) SDN BHD, Malaysia;
2. Aurigene Discovery Technologies Inc., USA;
3. Aurigene Discovery Technologies Limited, India;
4. beta Institut gemeinnützige GmbH, Germany;
5. betapharm Arzneimittel GmbH, Germany;
6. Cheminor Investments Limited, India;
7. Chienna BV, Netherlands;
8. Chirotech Technology Limited, UK;
9. Dr. Reddy's Bio-sciences Limited, India;
10. Dr. Reddy's Farmaceutica Do Brasil Ltda., Brazil;
11. Dr. Reddy's Laboratories (Australia) Pty. Limited, Australia;
12. Dr. Reddy's Laboratories (EU) Limited, UK;
13. Dr. Reddy's Laboratories (Proprietary) Limited, South Africa;
14. Dr. Reddy's Laboratories (UK) Limited, UK;
15. Dr. Reddy's Laboratories Canada, Inc., Canada;
16. Dr. Reddy's Laboratories Inc., USA;
17. Dr. Reddy's Laboratories International SA, Switzerland;
18. Dr. Reddy's Laboratories LLC, Ukraine;
19. Dr. Reddy's Laboratories New York, Inc., USA;
20. Dr. Reddy's New Zealand Limited, New Zealand;
21. Dr. Reddy's Pharma SEZ Limited, India;
22. Dr. Reddy's Singapore PTE Limited, Singapore;
23. Dr. Reddy's Srl, Italy;
24. Dr. Reddy's Laboratories Japan KK, Japan (from 21 April 2015);

## NOTES TO FINANCIAL STATEMENTS

### 2.27 RELATED PARTY DISCLOSURES (CONTINUED)

25. Dr. Reddy's Laboratories Louisiana LLC, USA;
26. Dr. Reddy's Laboratories Romania S.R.L., Romania;
27. Dr. Reddy's Laboratories SA, Switzerland;
28. Dr. Reddy's Laboratories SAS, Colombia (from 14 November 2014);
29. Dr. Reddy's Laboratories Tennessee, LLC, USA;
30. Dr. Reddy's Venezuela, C.A., Venezuela;
31. DRL Impex Limited, India;
32. Euro Bridge Consulting B.V., Netherlands;
33. Idea2Enterprises (India) Private Limited, India;
34. Industrias Quimicas Falcon de Mexico S.A. de C.V., Mexico;
35. I-VEN Pharma Capital Limited, India (until 20 November 2014);
36. Lacock Holdings Limited, Cyprus;
37. OctoPlus B.V., Netherlands;
38. OctoPlus Development B.V., Netherlands;
39. OctoPlus PolyActive Sciences B.V., Netherlands;
40. OctoPlus Sciences B.V., Netherlands;
41. OctoPlus Technologies B.V., Netherlands;
42. OctoShare B.V., Netherlands;
43. OOO Dr. Reddy's Laboratories Limited, Russia;
44. OOO DRS LLC, Russia;
45. Promius Pharma LLC, USA;
46. Reddy Antilles N.V., Netherlands;
47. Reddy Cheminor S.A., France (under liquidation);
48. Reddy Holding GmbH, Germany;
49. Reddy Netherlands B.V., Netherlands;
50. Reddy Pharma Iberia SA, Spain;
51. Reddy Pharma Italia S.R.L., Italy (formely Reddy Pharma Italia S.p.A.);
52. Reddy Pharma SAS, France (from 29 October 2015); and
53. Reddy Specialities GmbH, Germany (till 21 November 2015).

### Joint ventures

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>▪ Kunshan Rotam Reddy Pharmaceutical Company Limited ("Reddy Kunshan"), China</li> </ul> | Enterprise over which the Company exercises joint control with other joint venture partners and holds 51.33% of equity shares                    |
| <ul style="list-style-type: none"> <li>▪ DRANU LLC, USA</li> </ul>  | Enterprise over which the Company's step down subsidiary exercises joint control with other joint venture partner and holds 50% of equity shares |
| <ul style="list-style-type: none"> <li>▪ DRSS Solar Power Private Limited, India</li> </ul>                                     | Enterprise over which the Company exercises joint control with other joint venture partners and holds 26% of equity shares                       |
| <ul style="list-style-type: none"> <li>▪ DRES Energy Private Limited, India (from 6 October 2015)</li> </ul>                    | Enterprise over which the Company exercises joint control with other joint venture partners and holds 26% of equity shares                       |
| <b>b. List of other related parties with whom transactions have taken place during the current and/or previous year:</b>        |  |
| <ul style="list-style-type: none"> <li>▪ Dr. Reddy's Institute of Life Sciences</li> </ul>                                      | Enterprise over which whole-time directors have significant influence  |
| <ul style="list-style-type: none"> <li>▪ Ecologic Chemicals Limited (till 31 March 2015)</li> </ul>                             | Enterprise controlled by whole-time directors  |
| <ul style="list-style-type: none"> <li>▪ Stamlo Hotels Limited</li> </ul>   | Enterprise controlled by whole-time directors  |
| <ul style="list-style-type: none"> <li>▪ Green Park Hotels and Resorts Limited</li> </ul>                                       | Enterprise controlled by relative of a whole-time director   |
| <ul style="list-style-type: none"> <li>▪ K Samrajyam</li> </ul>   | Mother of Chairman   |
| <ul style="list-style-type: none"> <li>▪ G Anuradha</li> </ul>  | Spouse of Chief Executive Officer  |
| <ul style="list-style-type: none"> <li>▪ Deepti Reddy</li> </ul>  | Spouse of Chairman   |
| <ul style="list-style-type: none"> <li>▪ G Mallika Reddy</li> </ul>   | Daughter of Chief Executive Officer  |
| <ul style="list-style-type: none"> <li>▪ G V Sanjana Reddy</li> </ul>   | Daughter of Chief Executive Officer  |
| <ul style="list-style-type: none"> <li>▪ Dr. Reddy's Foundation</li> </ul>  | Enterprise over which whole-time directors and their relatives have significant influence  |
| <ul style="list-style-type: none"> <li>▪ Pudami Educational Society</li> </ul>  | Enterprise over which whole-time directors and their relatives have significant influence  |

## NOTES TO FINANCIAL STATEMENTS

## 2.27 RELATED PARTY DISCLOSURES (CONTINUED)

## c. List of Key Management Personnel\* of the Company

- K Satish Reddy (whole-time director);
- G V Prasad (whole-time director);
- Abhijit Mukherjee;
- Alok Sonig;
- Dr. Amit Biswas;
- Dr. R Ananthanarayanan (till 30 November 2014);
- Dr. Cartikeya Reddy;
- Dr. Chandrasekhar Sripada;
- Dr. Raghav Chari;
- Dr. K V S Ram Rao;
- Ganadhish Kamat (from 18 April 2016);
- M V Ramana;
- Samiran Das;
- Sandeep Poddar;
- Saumen Chakraborty; and
- Umang Vohra (till 25 September 2015).

\* In accordance with the provisions of AS 18 "Related Party Disclosures" and the Companies Act, 2013, members of the Company's Management Council and Company Secretary are considered as Key Management Personnel.

## d. Particulars of related party transactions

The following is a summary of significant related party transactions:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
i. Revenues from:		
Subsidiaries including step down subsidiaries:		
Dr. Reddy's Laboratories Inc.	42,205	38,439
OOO Dr. Reddy's Laboratories Limited	8,694	10,135
Dr. Reddy's Laboratories SA	5,624	4,883
Others	6,344	8,812
<b>Total</b>	<b>62,867</b>	<b>62,269</b>
ii. Interest income from subsidiaries including step down subsidiaries:		
Industrias Quimicas Falcon de Mexico S.A. de C.V.	166	187
DRL Impex Limited	12	35
<b>Total</b>	<b>178</b>	<b>222</b>
iii. Service income from subsidiaries including step down subsidiaries:		
Dr. Reddy's Laboratories Inc.	36	56
Dr. Reddy's Laboratories (EU) Limited	13	9
Chirotech Technology Limited	8	1
Dr. Reddy's Laboratories SA	8	8
<b>Total</b>	<b>65</b>	<b>74</b>
iv. Licence fees from subsidiaries including step down subsidiaries:		
betapharm Arzneimittel GmbH	1,855	64
Dr. Reddy's Laboratories Inc.	44	39
<b>Total</b>	<b>1,899</b>	<b>103</b>
v. Commission on guarantee from subsidiaries including step down subsidiaries:		
Dr. Reddy's Laboratories SA	21	132
<b>Total</b>	<b>21</b>	<b>132</b>
vi. Rent from Aurigene Discovery Technologies Limited	14	14
vii. Dividend income from Aurigene Discovery Technologies Limited	158	79

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

## NOTES TO FINANCIAL STATEMENTS

2.27	RELATED PARTY DISCLOSURES (CONTINUED)		
	PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
viii.	Reimbursement of operating and other expenses by subsidiaries and step down subsidiaries:		
	Dr. Reddy's Laboratories SA	150	-
	Aurigene Discovery Technologies Limited	28	35
	Others	-	2
	<b>Total</b>	<b>178</b>	<b>37</b>
ix.	Purchases and services from:		
	Subsidiaries including step down subsidiaries:		
	OOO Dr. Reddy's Laboratories Limited	2,393	3,162
	Dr. Reddy's Laboratories Inc.	1,584	1,265
	OctoPlus Development B.V.	1,276	1,071
	Chirotech Technology Limited	728	571
	Aurigene Discovery Technologies Limited	198	161
	Dr. Reddy's Laboratories (EU) Limited	193	26
	Others	113	151
	<b>Total</b>	<b>6,485</b>	<b>6,407</b>
	Other related parties:		
	Dr. Reddy's Institute of Life Sciences	102	92
	Ecologic Chemicals Limited	-	5
	<b>Total</b>	<b>102</b>	<b>97</b>
x.	Purchase of assets from:		
	Subsidiaries including step down subsidiaries:		
	DRL Impex Limited	-	1,093
	Dr. Reddy's Laboratories International SA	-	39
	<b>Total</b>	<b>-</b>	<b>1,132</b>
xi.	Royalty paid/payable to:		
	DRL Impex Limited	-	91
	<b>Total</b>	<b>-</b>	<b>91</b>
xii.	Contributions for social development:		
	Dr. Reddy's Foundation	211	207
	Pudami Educational Society	38	30
	<b>Total</b>	<b>249</b>	<b>237</b>
xiii.	Hotel expenses paid/payable to:		
	Green Park Hotels & Resorts Limited	44	32
	Stamlo Hotels Private Limited	7	9
	<b>Total</b>	<b>51</b>	<b>41</b>
xiv.	Rent paid/payable to:		
	<i>Key management personnel:</i>		
	K Satish Reddy	15	14
	<i>Relatives of key management personnel:</i>		
	G Anuradha	13	13
	Deepti Reddy	3	3
	K Samrajyam	2	2
	G Mallika Reddy	2	2
	G V Sanjana Reddy	2	2
	<b>Total</b>	<b>22</b>	<b>22</b>



## NOTES TO FINANCIAL STATEMENTS

2.27 RELATED PARTY DISCLOSURES (CONTINUED)			
PARTICULARS		FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
xv.	Remuneration to key management personnel <sup>(1)(2)</sup>	452	450
	<sup>(1)</sup> The above amounts do not include stock compensation expense and the remuneration of key management personnel employed by Company's subsidiaries.		
	<sup>(2)</sup> In addition to the above, the Company has accrued an amount of ₹ 33 (previous year: ₹ 51) towards a long term incentive plan, for the services rendered by key management personnel during the year ended 31 March 2016. Refer to Note 2.37 for further details.		
xvi.	Investment made/(disposed) during the year:		
	Subsidiaries:		
	DRL Impex Limited	660	-
	Dr. Reddy's Farmaceutica Do Brasil Ltda.	158	-
	Dr. Reddy's Bio-Sciences Limited	-	200
	<b>Total</b>	<b>818</b>	<b>200</b>
	Joint ventures:		
	DRES Energy Private Limited	3	-
	<b>Total</b>	<b>3</b>	<b>-</b>
xvii.	Provision made for other than temporary diminution in the value of non current investments:		
	DRL Impex Limited	660	-
	<b>Total</b>	<b>660</b>	<b>-</b>
xviii.	Loans and advances given including accrued interest/(repaid by) subsidiaries and step down subsidiaries, net:		
	Industrias Quimicas Falcon de Mexico S.A. de C.V.	7	-
	DRL Impex Limited	11	(1,286)
	Dr. Reddy's Laboratories Romania SRL	-	(22)
	<b>Total</b>	<b>18</b>	<b>(1,308)</b>
xix.	Provision made / (reversed) for loans given to subsidiary and step down subsidiaries:		
	DRL Impex Limited	(660)	176
	<b>Total</b>	<b>(660)</b>	<b>176</b>
xx.	Guarantee given / (released) on behalf of subsidiary and step down subsidiary:		
	Dr. Reddy's Laboratories SA	(10,312)	(3,295)
	Dr. Reddy's Laboratories (EU) Limited	(107)	-
	Dr. Reddy's Venezuela C.A.	-	(539)
	Effect of changes in the foreign exchange rates	-	417
	<b>Total</b>	<b>(10,419)</b>	<b>(3,417)</b>

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

## NOTES TO FINANCIAL STATEMENTS

### 2.27 RELATED PARTY DISCLOSURES (CONTINUED)

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

PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
i. Due from related parties:		
Subsidiaries including step down subsidiaries (included in trade receivables):		
Dr. Reddy's Laboratories Inc.	23,080	25,619
OOO Dr. Reddy's Laboratories Limited	5,231	5,758
Others	7,367	8,349
<b>Total</b>	<b>35,678</b>	<b>39,726</b>
Others		
Dr. Reddy's Foundation Education	1	-
<b>Total</b>	<b>1</b>	<b>-</b>
Rental deposit to key management personnel and their relatives	8	8
ii. Provision outstanding at the end of the year towards dues from subsidiaries including step down subsidiaries (included in trade receivables):		
Dr. Reddy's Venezuela, C.A.	3,559	-
OOO Dr. Reddy's Laboratories Limited	7	7
Reddy Cheminor S.A.	-	5
<b>Total</b>	<b>3,566</b>	<b>12</b>
iii. Due to related parties:		
Subsidiaries including step down subsidiaries (included in trade payables and other current liabilities):		
Dr. Reddy's Laboratories Inc.	1,976	1,718
OOO Dr. Reddy's Laboratories Limited	579	798
Chirotech Technology Limited	417	282
OctoPlus Development B.V.	157	535
Dr. Reddy's Laboratories SA	-	320
Others	111	83
<b>Total</b>	<b>3,240</b>	<b>3,736</b>
Others (included in trade payables and other current liabilities):		
Dr. Reddy's Research Foundation	18	18
Dr. Reddy's Institute of Life Sciences	-*	3
Green Park Hotels & Resorts Limited	-*	1
<b>Total</b>	<b>18</b>	<b>22</b>

\* rounded off in millions above.

Equity held in subsidiaries, associates and joint venture has been disclosed under "Non current investments" (Note 2.8). Loans and advances to subsidiaries, joint venture and associates have been disclosed under "Long term loans and advances" (Note 2.9). Other receivables from subsidiaries, associates and joint venture have been disclosed under "Other current assets" (Note 2.15).

### 2.28 AUDITORS' REMUNERATION

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
a) Audit fees	11	11
b) Other charges		
Taxation matters*	1	1
Other matters	1	1
c) Reimbursement of out of pocket expenses	1	1
	<b>14</b>	<b>14</b>

\* Represents ₹ 600 thousands (previous year: ₹ 600 thousands) rounded off in millions above.

## NOTES TO FINANCIAL STATEMENTS

### 2.29 INTEREST IN JOINT VENTURE

The Company has 51.33 percent interest in Kunshan Rotam Reddy Pharmaceutical Co. Limited ("KRRP"), a joint venture in China. KRRP is engaged in manufacturing and marketing of active pharmaceutical ingredients and intermediates and formulations in China. The contractual arrangement between shareholders of KRRP indicates joint control as the minority shareholders, along with the Company, have significant participating rights such that they jointly control the financial and operating policies of KRRP in the ordinary course of business.

The aggregate amount of assets, liabilities, income and expenses related to the Company's share in KRRP are given below:

#### Balance Sheet (extract)

PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
Fixed assets	175	188
Deferred tax assets, net	-	1
Inventories	221	171
Trade receivables	361	258
Cash and bank balances	728	496
Short term loans and advances	152	152
Trade payables	241	180
Other current liabilities	305	235
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	2	4

#### Statement of Profit and Loss

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
Income		
Sales	2,164	1,723
Other income	6	10
Expenditure		
Material costs	451	381
Employee benefits expense	500	425
Operating and other expenses	872	652
Depreciation and amortization	21	25
<b>Profit before taxation</b>	<b>326</b>	<b>250</b>
Provision for taxation		
- Current tax expense	97	33
- Deferred tax expense	1	1
<b>Profit after taxation</b>	<b>228</b>	<b>216</b>

### 2.30 EMPLOYEE STOCK OPTION SCHEME

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

The Company instituted the DRL 2002 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on 24 September 2001. The DRL 2002 Plan covers all employees of DRL and its subsidiaries and directors (excluding promoter directors) of DRL and its subsidiaries (collectively, "eligible employees"). Under the Scheme, the Nomination, Governance and Compensation Committee of the Board ('the Committee') shall administer the Scheme and grant stock options to eligible directors and employees of the Company and its subsidiaries. The Committee shall determine the employees eligible for receiving 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 the options issued on the date of the grant. The options issued under the DRL 2002 Plan options vest in periods ranging between one and four years and generally have a maximum contractual term of five years.

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

## NOTES TO FINANCIAL STATEMENTS

### 2.30 EMPLOYEE STOCK OPTION SCHEME (CONTINUED)

The DRL 2002 Plan, as amended at Annual General Meetings of shareholders held on 28 July 2004 and on 27 July 2005, provides for stock option grants in two categories:

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

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

The fair market value of a share on each grant date falling under Category A above is defined as the average closing price (after adjustment of Bonus issue) for 30 days prior to the grant, in the stock exchange where there was highest trading volume during that period. Notwithstanding the foregoing, the Committee may, after getting the approval of the shareholders in the Annual General Meeting, grant options with a per share exercise price other than fair market value and par value of the equity shares.

After the issue of bonus shares by the Company in August 2006, the DRL 2002 Plan provides for stock options granted in the above two categories as follows:

PARTICULARS	NUMBER OF OPTIONS UNDER CATEGORY A	NUMBER OF OPTIONS UNDER CATEGORY B	TOTAL
Options reserved under original plan	300,000	1,995,478	2,295,478
Options exercised prior to issue of bonus shares (A)	94,061	147,793	241,854
Balance of shares that can be allotted on exercise of options (B)	205,939	1,847,685	2,053,624
Options arising from issue of bonus shares (C)	205,939	1,847,685	2,053,624
<b>Total options after bonus shares (A+B+C)</b>	<b>505,939</b>	<b>3,843,163</b>	<b>4,349,102</b>

In the case of termination of employment, all unvested options would stand cancelled. Options that have vested but have not been exercised can be exercised within the time prescribed under each option agreement by the Committee or if no time limit is prescribed, within three months of the date of employment termination, failing which they would stand cancelled.

The term of the DRL 2002 Plan was extended for a period of 10 years with effect from 29 January 2012 by the shareholders at the Company's Annual General Meeting held on 20 July 2012.

During the year ended 31 March 2016, the Company under the DRL 2002 Plan has issued 102,224 Category B options to eligible employees. The vesting period for the options granted varies from 12 to 48 months.

The date of grant, number of options granted, exercise price fixed by the Committee for respective options and the market price of the shares of the Company on the day prior to the date of grant are given below:

DATE OF GRANT	NUMBER OF OPTIONS GRANTED	EXERCISE PRICE ₹	MARKET PRICE ₹ (AS PER SEBI GUIDELINES)
11 May 2015	102,224	5.00	3,350.45

Stock option activity under the DRL 2002 Plan for the two categories of options was as follows:

#### CATEGORY A - FAIR MARKET VALUE OPTIONS

There is no stock option activity under this category during the year 31 March 2016 and there were no options outstanding under this category as of 31 March 2016.

CATEGORY A - FAIR MARKET VALUE OPTIONS	YEAR ENDED 31 MARCH 2015			
	PARTICULARS	SHARES ARISING OUT OF OPTIONS	RANGE OF EXERCISE PRICES	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding at the beginning of the year	10,000	₹ 448.00	₹ 448.00	44
Granted during the year	-	-	-	-
Expired / forfeited during the year	-	-	-	-
Exercised during the year	(10,000)	₹ 448.00	₹ 448.00	-
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	-	-	-	-

## NOTES TO FINANCIAL STATEMENTS

## 2.30 EMPLOYEE STOCK OPTION SCHEME (CONTINUED)

CATEGORY B - PAR VALUE OPTIONS	YEAR ENDED 31 MARCH 2016			
	PARTICULARS	SHARES ARISING OUT OF OPTIONS	RANGE OF EXERCISE PRICES	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding at the beginning of the year	585,454	₹ 5.00	₹ 5.00	71
Granted during the year	102,224	5.00	5.00	90
Expired / forfeited during the year	(66,319)	5.00	5.00	-
Exercised during the year	(194,011)	5.00	5.00	-
Outstanding at the end of the year	427,348	₹ 5.00	₹ 5.00	72
Exercisable at the end of the year	53,801	₹ 5.00	₹ 5.00	42

CATEGORY B - PAR VALUE OPTIONS	YEAR ENDED 31 MARCH 2015			
	PARTICULARS	SHARES ARISING OUT OF OPTIONS	RANGE OF EXERCISE PRICES	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding at the beginning of the year	641,674	₹ 5.00	₹ 5.00	78
Granted during the year	230,840	5.00	5.00	90
Expired / forfeited during the year	(59,148)	5.00	5.00	-
Exercised during the year	(227,912)	5.00	5.00	-
Outstanding at the end of the year	585,454	₹ 5.00	₹ 5.00	71
Exercisable at the end of the year	43,425	₹ 5.00	₹ 5.00	40

*Dr. Reddy's Employees ADR Stock Option Plan-2007 ("the DRL 2007 Plan"):*

The Company instituted the DRL 2007 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on 27 July 2005. The DRL 2007 Plan came into effect on approval of the Board of Directors on 22 January 2007. The DRL 2007 Plan covers all employees of DRL and its subsidiaries and directors (excluding promoter directors) of DRL and its subsidiaries (collectively, "eligible employees"). Under the DRL 2007 Plan, the Nomination, Governance and Compensation Committee of the Board (the 'Committee') shall administer the DRL 2007 Plan and grant stock options to eligible employees of the Company and its subsidiaries. The Nomination, Governance and Compensation Committee shall determine the employees eligible for receiving 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 the 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 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.

During the year ended 31 March 2016, the Company has issued 40,184 Category B options to eligible employees under the DRL 2007 Plan. The vesting period for the options granted varies from 12 to 48 months.

The date of grant, number of options granted, exercise price fixed by the Committee for respective options and the market price of the shares of the Company on the day prior to the date of grant is given below:

DATE OF GRANT	NUMBER OF OPTIONS GRANTED	EXERCISE PRICE ₹	MARKET PRICE ₹ (AS PER SEBI GUIDELINES)
11 May 2015	40,184	5.00	3,350.45

Stock option activity under the DRL 2007 Plan was as follows:

CATEGORY B - PAR VALUE OPTIONS	YEAR ENDED 31 MARCH 2016			
	PARTICULARS	SHARES ARISING OUT OF OPTIONS	RANGE OF EXERCISE PRICES	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding at the beginning of the year	98,350	₹ 5.00	₹ 5.00	72
Granted during the year	40,184	5.00	5.00	90
Expired / forfeited during the year	(14,023)	5.00	5.00	-
Exercised during the year	(32,468)	5.00	5.00	-
Outstanding at the end of the year	92,043	₹ 5.00	₹ 5.00	79
Exercisable at the end of the year	7,141	₹ 5.00	₹ 5.00	45



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

## NOTES TO FINANCIAL STATEMENTS

### 2.30 EMPLOYEE STOCK OPTION SCHEME (CONTINUED)

CATEGORY B - PAR VALUE OPTIONS	YEAR ENDED 31 MARCH 2015			
	SHARES ARISING OUT OF OPTIONS	RANGE OF EXERCISE PRICES	WEIGHTED-AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE (MONTHS)
Outstanding at the beginning of the year	97,463	₹ 5.00	₹ 5.00	79
Granted during the year	45,796	5.00	5.00	90
Expired / forfeited during the year	(10,515)	5.00	5.00	-
Exercised during the year	(34,394)	5.00	5.00	-
Outstanding at the end of the year	<b>98,350</b>	<b>₹ 5.00</b>	<b>₹ 5.00</b>	<b>72</b>
Exercisable at the end of the year	<b>6,730</b>	<b>₹ 5.00</b>	<b>₹ 5.00</b>	<b>42</b>

The Company has not granted any options under Category A of "the DRL 2007 Plan".

In addition to the above, during the year ended 31 March 2015, the Company adopted a new program to grant performance linked stock options to certain employees under the DRL 2002 Plan and the DRL 2007 Plan. Under this program, performance targets are measured each year against pre-defined interim targets over the three year period ending on 31 March 2017 and eligible employees are granted stock options upon meeting such targets. The stock options so granted are ultimately vested with the employees who meet subsequent service vesting conditions which range from 1 to 4 years. After vesting, such stock options generally have a maximum contractual term of five years. The details of grants made under this program are included in the above tables under the respective plans.

Till 30 September 2015, the Company accounted for employee stock options using the intrinsic method of accounting available under Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. Effective 1 October 2015, the Company applied Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, which require the employee stock options to be accounted under the Guidance note on Accounting for Employee Share-based Payments issued by the Institute of Chartered Accountants of India (ICAI). Consequent to such change, deferred employee stock compensation account has been de-recognised to conform to the new accounting pronouncement.

The Company followed intrinsic method of accounting based on which a compensation expense of ₹ 455 (previous year: ₹ 519) was recognized in the statement of profit and loss. Had the Company used the fair value method, the compensation expense would have been ₹ 471. The differential stock compensation expense of ₹ 16 does not have any significant effect on the net results and EPS of the Company for the year ended 31 March 2016.

#### Valuation of stock options under fair value method:

The fair value of stock options granted under the DRL 2002 Plan and the DRL 2007 Plan has been measured using the Black-Scholes-Merton model at the date of the grant.

The Black-Scholes-Merton model includes assumptions regarding dividend yields, expected volatility, expected terms and risk free interest rates. In respect of par value options granted under category B, 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 granted under category A, the option life is estimated based on the simplified method. Expected volatility of the option is based on historical volatility, during a period equivalent to the option life, of the observed market prices of the Company's publicly traded equity shares. Dividend yield of the options is based on recent dividend activity. Risk-free interest rates are based on the government securities yield in effect at the time of the grant. These assumptions reflect management's best estimates, but these assumptions involve inherent market uncertainties based on market conditions generally outside of the Company's control. As a result, if other assumptions had been used in the current period, stock-based compensation expense could have been materially impacted. Further, if management uses different assumptions in future periods, stock based compensation expense could be materially impacted in future years.

The estimated fair value of stock options is charged to income on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards.

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

Expected volatility	25.98%
Exercise price	₹ 5.00
Option life	2.5 Years
Risk-free interest rate	7.87%
Expected dividends	0.60%
Grant date share price	₹ 3,359.70

Details of weighted average grant date fair values and exercise prices of options granted during the year ended 31 March 2016:

PARTICULARS	DRL 2002 PLAN	DRL 2007 PLAN
Weighted average grant date fair value of options granted - Par value	₹ 3,350	₹ 3,465
Weighted average share price on the date of exercise of options	₹ 3,504	₹ 3,575

## NOTES TO FINANCIAL STATEMENTS

### 2.30 EMPLOYEE STOCK OPTION SCHEME (CONTINUED)

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

Name	Designation	No of options granted	
		2002 Plan	2007 Plan
Mr. Abhijit Mukherjee	Chief Operating Officer	4,500	
Mr. Saumen Chakraborty	President, Chief Financial Officer and Global Head - IT & BPE	3,000	
Mr. Umang Vohra*	Executive Vice President and Head - North America Generics	3,000	
Dr. Cartikeya Reddy	Executive Vice President and Head - Biologics	2,800	
Mr. M V Ramana	Executive Vice President and Head - Branded Markets (India & Emerging markets)	3,000	
Mr. Samiran Das	Executive Vice President and Head - Global Manufacturing Operations	2,500	
Dr. Amit Biswas	Executive Vice President and Head - Integrated Product Development	2,500	
Dr. K V S Ram Rao	Senior Vice President and Head - PSAI Commercial Organisation	2,000	
Mr. Alok Sonig	Executive Vice President and Head - North America Generics	3,000	
Dr. Chandrasekhar Sripada	President and Global Head - Human Resources	2,500	
Dr. Raghav Chari	Executive Vice President and Head - Proprietary Products		3,000

\* Mr. Umang Vohra was in service till 25 September 2015.

No employee of the Company received grant of options during the year amounting to 5% or more of options granted or exceeding 1% of issued capital of the Company.

### 2.31 DETAILS OF IMPORTED AND INDIGENOUS MATERIALS, SPARE PARTS, CHEMICALS AND COMPONENTS CONSUMED

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016		FOR THE YEAR ENDED 31 MARCH 2015	
	VALUE	% OF TOTAL CONSUMPTION	VALUE	% OF TOTAL CONSUMPTION
Raw material and chemicals				
Imported	7,668	39%	8,964	39%
Indigenous	12,217	61%	14,263	61%
	<b>19,885</b>		<b>23,227</b>	
Stores, spares and other materials				
Imported	1,070	25%	811	22%
Indigenous	3,221	75%	2,944	78%
	<b>4,291</b>		<b>3,755</b>	

### 2.32 CIF VALUE OF IMPORTS

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
Raw materials	12,003	11,512
Capital equipment (including spares and components)	2,047	1,973
	<b>14,050</b>	<b>13,485</b>

### 2.33 EARNINGS IN FOREIGN CURRENCY

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
Exports on FOB basis	72,618	74,146
Interest on loan to subsidiaries	166	187
Service income and license fees	2,281	390
Guarantee commission	21	132
Others	319	15
	<b>75,405</b>	<b>74,870</b>

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

## NOTES TO FINANCIAL STATEMENTS

2.34 EXPENDITURE IN FOREIGN CURRENCY		
PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
Legal and professional	3,158	1,892
Bio-studies expenses	1,134	1,368
Interest on loans	664	657
Others*	8,109	8,606
	<b>13,065</b>	<b>12,523</b>

\*excludes amount pertaining to provision for doubtful debts.

### 2.35 HEDGES OF FOREIGN CURRENCY RISK AND DERIVATIVE FINANCIAL INSTRUMENTS

The Company is exposed to exchange rate risk which arises from its foreign exchange revenues and expenses, primarily in U.S. dollars, British pounds sterling, Russian roubles and Euros, and foreign currency debt in U.S. dollars, Russian roubles and Euros.

The Company uses forward contracts, option contracts and swap contracts (derivatives) to mitigate its risk of changes in foreign currency exchange rates. Further, the Company also uses non derivative financial instruments as part of its foreign currency exposure risk mitigation strategy. In respect of the aforesaid foreign exchange derivative contracts, the Company has recorded, as part of foreign exchange gains and losses, a net gain of ₹ 275 and ₹ 1,040 for the years ended 31 March 2016 and 2015 respectively.

#### Hedges of highly probable forecasted transactions

The Company classifies its derivative contracts that hedge foreign currency risk associated with highly probable forecasted transactions as cash flow hedges and measures them at fair value. The effective portion of such cash flow hedges is recorded as part of reserves and surplus within the Company's "hedging reserve", and re-classified in the statement of profit and loss as revenue in the period corresponding to the occurrence of the forecasted transactions. The ineffective portion is immediately recorded in the statement of profit and loss.

The Company also designates certain non derivative financial liabilities, such as foreign currency borrowings from banks, as hedging instruments for the hedge of foreign currency risk associated with highly probable forecasted transactions and, accordingly, applies cash flow hedge accounting for such relationships. Re-measurement gain/loss on such non derivative financial liabilities is recorded as part of reserves and surplus within the Company's "hedging reserve", and re-classified in the statement of profit and loss as revenue in the period corresponding to the occurrence of the forecasted transactions.

In respect of the aforesaid hedges of highly probable forecasted transactions, the Company has recorded, in reserves and surplus, a net loss of ₹ 66 and a net gain of ₹ 51 for the years ended 31 March 2016 and 2015, respectively. The Company also recorded, as part of revenue, a net gain of ₹ 299 and a net gain of ₹ 810 during the years ended 31 March 2016 and 2015, respectively.

The net carrying amount of the Company's "hedging reserve" was a loss of ₹ 20 as at 31 March 2016, as compared to a gain of ₹ 46 as at 31 March 2015.

The table below summarises the periods when the forecasted cash flows associated with hedging instruments that are classified as cash flow hedges, are expected to occur:

PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
<b>Cash flows in U.S. Dollars (figures in equivalent rupee millions)</b>		
Not later than one month	994	1,250
Later than one month and not later than three months	5,300	5,625
Later than three months and not later than six months	5,300	6,875
Later than six months and not later than one year	3,976	3,750
	<b>15,570</b>	<b>17,500</b>
<b>Cash flows in Euros (figures in equivalent rupee millions)</b>		
Not later than one month	38	-
Later than one month and not later than three months	75	-
Later than three months and not later than six months	113	-
Later than six months and not later than one year	226	-
	<b>452</b>	<b>-</b>
<b>Cash flows in Roubles (figures in equivalent rupee millions)</b>		
Not later than one month	123	27
Later than one month and not later than three months	246	54
Later than three months and not later than six months	222	81
Later than six months and not later than one year	-	161
	<b>591</b>	<b>323</b>

## NOTES TO FINANCIAL STATEMENTS

### 2.35 HEDGES OF FOREIGN CURRENCY RISK AND DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

#### Hedges of recognised assets and liabilities

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 are recognised in the statement of profit and loss. The changes in fair value of such derivative contracts as well as the foreign exchange gains and losses relating to the monetary items are recognised as part of foreign exchange gains and losses.

#### Outstanding derivative contracts

The following are the details of the notional amount of outstanding foreign exchange derivative contracts:

As at 31 March 2016

CATEGORY	CURRENCY	CROSS CURRENCY	AMOUNTS IN MILLIONS	BUY / SELL	PURPOSE
Forward Contract	USD	INR	USD 97	Sell	Hedging
Forward Contract	EUR	USD	EUR 3	Sell	Hedging
Forward Contract	RUB	INR	RUB 600	Sell	Hedging
Option Contract	USD	INR	USD 335	Sell	Hedging
Option Contract	EUR	INR	EUR 6	Sell	Hedging

As at 31 March 2015

CATEGORY	CURRENCY	CROSS CURRENCY	AMOUNTS IN MILLIONS	BUY / SELL	PURPOSE
Forward Contract	USD	INR	USD 176.9	Sell	Hedging
Forward Contract	RUB	INR	RUB 300	Sell	Hedging
Option Contract	USD	INR	USD 340	Sell	Hedging

#### Derivative financial instruments valuation

The Company enters into derivative financial instruments with various counterparties, principally financial institutions and banks. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward contracts and foreign exchange option contracts. The most frequently applied valuation techniques include forward pricing, swap models and Black Scholes models (for option valuation), using present value calculations.

The Company had a net asset of ₹ 123 as of 31 March 2016 as compared to a net asset of ₹ 279 as of 31 March 2015 towards these derivative financial instruments.

#### Un-hedged significant foreign currency exposure

The year-end significant foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Un-hedged significant foreign currency exposure as at 31 March 2016

CURRENCY	FOREIGN CURRENCY IN MILLIONS	EXCHANGE RATE	₹ MILLIONS
RUB	697	0.99	687
ZAR	98	4.50	443
MXN	148	3.84	568

Un-hedged significant foreign currency exposure as at 31 March 2015

CURRENCY	FOREIGN CURRENCY IN MILLIONS	EXCHANGE RATE	₹ MILLIONS
RUB	639	1.07	684
ZAR	79	5.12	404
MXN	441	4.10	1,808
EUR	(34)	67.19	(2,284)

## NOTES TO FINANCIAL STATEMENTS

### 2.36 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 and the Audit Committee are responsible for overseeing Company's financial 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. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the credit worthiness 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.

#### Trade 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. As at 31 March 2016 and 31 March 2015, the maximum exposure to credit risk in relation to trade receivables is ₹ 38,935 and ₹ 47,117, respectively (net of allowances).

#### Trade receivables that are neither past due nor impaired

Trade receivables amounting to ₹ 25,826 and ₹ 28,687 were neither past due nor impaired as at 31 March 2016 and 31 March 2015 respectively.

#### Trade receivables that are past due but not impaired

The Company's credit period for customers generally ranges from 20 - 180 days. The age analysis of the trade receivables has been considered from the due date of the invoice. The ageing of trade receivables that are past due but not impaired is given below:

PERIOD (IN DAYS)	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
1-90	8,770	12,257
91-180	1,568	2,410
More than 180	2,771	3,763
<b>Total</b>	<b>13,109</b>	<b>18,430</b>

#### Trade receivables that are impaired

The age analysis of the trade receivables that are impaired is given below:

PERIOD (IN DAYS)	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
1-90	-	-
91-180	-	-
More than 180	3,916	305
<b>Total</b>	<b>3,916</b>	<b>305</b>

During the year ended 31 March 2016, the economic conditions in Venezuela continue to deteriorate thereby significantly increasing the risk of default by the Venezuelan subsidiary. The Company has not been successful in obtaining approvals from the Venezuelan government to repatriate any amount beyond USD 4 million already received during the year. Consequent to such deteriorated economic condition, the Company believes that the amount receivable from Venezuelan subsidiary is no longer recoverable and accordingly an amount of ₹ 3,559, representing the amount receivable from Venezuelan subsidiary has been fully provided during the three months ended 31 March 2016 and the same has been presented under exceptional items in the statement of profit and loss.

#### Reconciliation of the allowance account for credit losses

The details of changes in provision for doubtful debts during the year ended 31 March 2016 and 31 March 2015 are as follows:

PARTICULARS	2015-16	2014-15
Balance as at 1 April	305	218
Provision made during the year	3,703	129
Trade receivables written off during the year	(6)	(11)
Provision reversed during the year	(86)	(31)
<b>Balance as at 31 March</b>	<b>3,916</b>	<b>305</b>



## NOTES TO FINANCIAL STATEMENTS

### 2.36 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Loans and advances

Loans and advances are predominantly given to subsidiaries for the purpose of working capital and other business requirements.

The details of changes in provision for doubtful loans and advances to subsidiaries during the year ended 31 March 2016 and 31 March 2015 are as follows:

PARTICULARS	2015-16	2014-15
Balance as at 1 April	1,067	874
Provision made during the year	-	176
Loans and advances written off during the year	-	-
Provision reversed during the year	(660)	-
Effect of change in the foreign exchange rates	23	17
<b>Balance as at 31 March</b>	<b>430</b>	<b>1,067</b>

#### 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 at 31 March 2016 and 2015, the Company had unutilized credit limits from banks of ₹ 12,304 and ₹ 10,438, respectively.

As at 31 March 2016, the Company had working capital (i.e. current assets less current liabilities) of ₹ 52,962 including cash and bank balances of ₹ 12,680 and current investments of ₹ 21,122. As at 31 March 2015, the Company had working capital of ₹ 57,247 including cash and bank balances of ₹ 9,014 and current investments of ₹ 21,022.

The table below provides details regarding the contractual maturities of significant financial liabilities (other than finance leases which have been disclosed in Note 2.42).

#### As at 31 March 2016

PARTICULARS	2016-17	2017-18	2018-19	2019-20	THEREAFTER	TOTAL
Trade payables	7,192	-	-	-	-	7,192
Long term borrowings	-	1,988	7,950	-	-	9,938
Short term borrowings	20,896	-	-	-	-	20,896
Other liabilities and provisions	14,484	571	-	-	-	15,055

#### As at 31 March 2015

PARTICULARS	2015-16	2016-17	2017-18	2018-19	THEREAFTER	TOTAL
Trade payables	7,160	-	-	-	-	7,160
Long term borrowings	-	-	1,875	7,500	-	9,375
Short term borrowings	21,857	-	-	-	-	21,857
Other liabilities and provisions	12,194	-	-	-	-	12,194

#### Financial guarantees

Financial guarantees disclosed in Note 2.25 have been provided as corporate guarantees to financial institutions and banks that have extended credits and other financial assistance to the Company's subsidiaries. In this regard, the Company does not foresee any significant credit risk exposure.

#### 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 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.

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

## NOTES TO FINANCIAL STATEMENTS

### 2.36 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Foreign exchange risk

The Company's exchange risk arises from its foreign operations, foreign currency revenues and expenses, (primarily in U.S. dollars, British pounds sterling, Roubles and Euros) and foreign currency borrowings (in U.S. dollars, Euros and Roubles). 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, the Company's financial performance gets adversely impacted. The exchange rate between the Indian rupee and these foreign currencies has changed substantially in recent periods and may continue to fluctuate substantially in the future. Consequently, the Company uses derivative financial instruments, such as foreign exchange forward contracts, option contracts and swap contracts, to mitigate the risk of changes in foreign currency exchange rates in respect of its highly probable forecasted transactions and recognised assets and liabilities.

The details in respect of the outstanding derivative contracts are given in Note 2.35 above.

In respect of the Company's derivative contracts, a 10% decrease/increase in the respective exchange rates of each of the currencies underlying such contracts would have resulted in an approximately ₹ 1,511/(424) increase/(decrease) in the Company's hedging reserve and an approximately ₹ 1,193/(1,588) increase/(decrease) in the Company's net profit as at 31 March 2016.

In respect of the Company's derivative contracts, a 10% decrease/increase in the respective exchange rates of each of the currencies underlying such contracts would have resulted in an approximately ₹ 1,308/(631) increase/(decrease) in the Company's hedging reserve and an approximately ₹ 1,460/(1,604) increase/(decrease) in the Company's net profit as at 31 March 2015.

The following table analyzes foreign currency risk from non derivative financial instruments as at 31 March 2016:

(All figures in equivalent Rupees millions)

PARTICULARS	U.S. DOLLARS	EURO	ROUBLES	OTHERS <sup>(1)</sup>	TOTAL
<b>Assets:</b>					
Cash and bank balances	103	7	20	11	141
Trade receivables	27,220	925	4,324	1,362	33,831
Loans and advances and other current assets	2,392	16	2	97	2,507
<b>Total</b>	<b>29,715</b>	<b>948</b>	<b>4,346</b>	<b>1,470</b>	<b>36,479</b>
<b>Liabilities:</b>					
Trade payables	1,223	465	-	337	2,025
Long term borrowings	9,947	-	-	-	9,947
Short term borrowings	12,024	5,768	3,104	-	20,896
Other liabilities and provisions	4,645	391	595	220	5,851
<b>Total</b>	<b>27,839</b>	<b>6,624</b>	<b>3,699</b>	<b>557</b>	<b>38,719</b>

<sup>(1)</sup> Others include currencies such as British pounds sterling, Australian dollars, Mexican pesos, South African rand, Venezuelan bolivars, etc.

The following table analyzes foreign currency risk from non derivative financial instruments as at 31 March 2015:

(All figures in equivalent Rupees millions)

PARTICULARS	U.S. DOLLARS	EURO	ROUBLES	OTHERS <sup>(1)</sup>	TOTAL
<b>Assets:</b>					
Cash and bank balances	47	-	38	151	236
Trade receivables	35,181	934	5,758	2,957	44,830
Loans and advances and other current assets	274	14	2	91	381
<b>Total</b>	<b>35,502</b>	<b>948</b>	<b>5,798</b>	<b>3,199</b>	<b>45,447</b>
<b>Liabilities:</b>					
Trade payables	1,841	952	-	272	3,065
Long term borrowings	9,389	-	-	-	9,389
Short term borrowings	14,875	2,116	3,866	-	20,857
Other liabilities and provisions	3,820	146	1,248	278	5,492
<b>Total</b>	<b>29,925</b>	<b>3,214</b>	<b>5,114</b>	<b>550</b>	<b>38,803</b>

<sup>(1)</sup> Others include currencies such as British pounds sterling, Australian dollars, Mexican pesos, South African rand, Venezuelan bolivars, etc.

For the year ended 31 March 2016 and 2015, every 10% depreciation/appreciation in the exchange rate between the Indian rupee and the respective currencies in the above mentioned financial assets/liabilities would affect the Company's net profit by approximately ₹ 224 and ₹ 664 respectively, from such financial assets/liabilities.

## NOTES TO FINANCIAL STATEMENTS

### 2.36 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Interest rate risk

As of 31 March 2016, the Company had foreign currency loans of ₹ 27,730 carrying a floating interest rate of LIBOR minus 5 to plus 125 bps whereas as of 31 March 2015, the Company had foreign currency loans of ₹ 26,366 carrying a floating interest rate of LIBOR minus 7.5 - 125 bps. These loans expose the Company to risk of changes in interest rates. The Company's treasury department monitors the interest rate movement and manages the interest rate risk based on its policies, which include entering into interest rate swaps as considered necessary. An increase or decrease of 10% in the floating interest rate component applicable to its loans and borrowings would affect the Company's net profit by approximately ₹ 11 and ₹ 4 for the year ended 31 March 2016 and 31 March 2015, respectively.

The Company's investments in fixed deposits with banks and short term liquid mutual funds are for short durations, and therefore do not expose the Company to significant interest rates 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 material derivative contracts to hedge exposure to fluctuations in commodity prices.

### 2.37 EMPLOYEE BENEFIT PLANS

#### 2.37.1 Gratuity Plan

In accordance with applicable Indian laws, the Company provides for a lump sum payment to eligible employees, at retirement or termination of employment based on the last drawn salary and years of employment with the Company. Effective 1 September 1999, the Company established the Dr. Reddy's Laboratories Gratuity Fund (the "Gratuity Fund"). Liabilities in respect of the Gratuity Plan are determined by an actuarial valuation, based upon which the Company makes contributions to the Gratuity Fund. Amounts contributed to the Gratuity Fund are primarily invested in Indian government bonds and corporate debt securities. A portion of the fund is also invested in Indian equities.

The following table set out the status of the aforesaid funded gratuity plan as required under AS-15 (Revised):

#### Reconciliation of the present value of the defined benefit obligation

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
Opening defined benefit obligation	1,236	1,040
Current service cost	163	136
Interest cost	106	99
Actuarial losses / (gains)	153	45
Benefits paid	(118)	(84)
<b>Closing defined benefit obligation</b>	<b>1,540</b>	<b>1,236</b>

#### Change in the fair value of assets

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
Opening fair value of plan assets	1,157	908
Expected return on plan assets	91	80
Actuarial gains / (losses)	(17)	43
Contributions by employer	190	210
Benefits paid	(118)	(84)
<b>Closing fair value of plan assets</b>	<b>1,303</b>	<b>1,157</b>

#### Amount recognized in the balance sheet

PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
Present value of funded obligations	1,540	1,236
Fair value of plan assets	(1,303)	(1,157)
<b>Net Liability</b>	<b>237</b>	<b>79</b>

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

## NOTES TO FINANCIAL STATEMENTS

### 2.37 EMPLOYEE BENEFIT PLANS (CONTINUED)

#### Expense recognized in the statement of profit and loss

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
Current service cost	163	136
Interest on defined benefit obligation	106	99
Expected return on plan assets	(91)	(80)
Net actuarial losses / (gains) recognized in the year	170	2
<b>Amount included in employee benefits expense</b>	<b>348</b>	<b>157</b>
Actual return on plan assets	73	123

Contributions: The Company expects to contribute ₹ 237 to the Gratuity Plan during the year ending 31 March 2017.

#### Asset information

CATEGORY OF ASSETS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
Government of India securities	-	-
Corporate bonds	-	-
Insurer managed funds	99%	99%
Others	1%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>

#### Summary of actuarial assumptions

PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
Discount Rate	7.80% p.a.	8.00% p.a.
Expected rate of return on plan assets	7.80% p.a.	8.00% p.a.
Salary escalation rate	10% p.a. for first two years and 9% p.a. thereafter	10% p.a. for first two years and 9% p.a. thereafter

**Discount rate:** The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

**Expected rate of return on plan assets:** This is based on the expectation of the average long-term rate of return expected on investments of the fund during the estimated term of the obligations.

**Salary escalation rate:** The estimate of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

#### Amounts recognised in current year and previous four years

PARTICULARS	AS AT / FOR THE YEAR ENDED 31 MARCH				
	2016	2015	2014	2013	2012
Defined Benefit Obligation	1,540	1,236	1,040	875	646
Plan Assets	1,303	1,157	908	707	624
Surplus / (Deficit)	(237)	(79)	(132)	(168)	(22)
Experience Adjustment on Plan Liabilities	107	27	42	26	23
Experience Adjustment on Plan Assets	(17)	43	15	7	6

## NOTES TO FINANCIAL STATEMENTS

### 2.37 EMPLOYEE BENEFIT PLANS (CONTINUED)

#### 2.37.2 Other benefits

##### Provident fund benefits

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 equal to 12% of the covered employee's qualifying salary. The Company has no further obligations under the plan beyond its monthly contributions. The Company contributed ₹ 551 and ₹ 471 to the provident fund plan during the year ended 31 March 2016 and 2015 respectively.

##### Superannuation benefits

Certain categories of employees of the Company participate in superannuation, a defined contribution plan administered by the Life Insurance Corporation of India. The Company makes annual contributions based on a specified percentage of each covered employee's salary. The Company has no further obligations under the plan beyond its annual contributions. The Company contributed ₹ 71 and ₹ 68 to the superannuation plan during the year ended 31 March 2016 and 2015 respectively.

##### Compensated leave of absence

The Company provides for accumulation of compensated absences by certain categories of its employees. These employees can carry forward a portion of the unutilized compensated absences and utilize it in future periods or receive cash in lieu thereof as per Company policy. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The total liability recorded by the Company towards this benefit was ₹ 710 and ₹ 542 as at 31 March 2016 and 2015 respectively.

##### Long term incentive plan

Certain senior management employees of the Company participate in a long term incentive plan which is aimed at rewarding the individual, based on performance of such individual, their business unit/function and the Company as a whole, with significantly higher rewards for superior performances. The total liability recorded by the Company towards this benefit was ₹ 570 as of 31 March 2016 and ₹ 188 as of 31 March 2015.

### 2.38 DIVIDEND REMITTANCE IN FOREIGN CURRENCY

The Company does not make any direct remittances of dividends in foreign currencies to American Depository Receipts (ADRs) holders. The Company remits the equivalent of the dividends payable to the ADR holders in Indian Rupees to the custodian, which is the registered shareholder on record for all owners of the Company's ADRs. The custodian purchases the foreign currencies and remits it to the depository bank which in turn remits the dividends to the ADR holders.

### 2.39 RESEARCH AND DEVELOPMENT FIXED ASSETS (INCLUDED IN NOTE 2.7)

DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS AT 1 APRIL 2015	ADDITIONS (a)	DELETIONS (b)	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015	FOR THE YEAR (a)	DELETIONS (b)	AS AT 31 MARCH 2016	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
Tangible assets										
Land	70	-	-	70	-	-	-	-	70	70
Buildings	846	103	12	937	247	40	8	279	658	599
Plant and machinery	1,263	169	80	1,352	901	111	75	937	415	362
Electrical equipment	265	66	-	331	194	28	-	222	109	71
Laboratory equipment	2,596	729	310	3,015	1,515	296	306	1,505	1,510	1,081
Furniture and fixtures	206	25	35	196	168	13	34	147	49	38
Office equipment	278	83	7	354	187	61	7	241	113	91
<b>Total tangible assets (A)</b>	<b>5,524</b>	<b>1,175</b>	<b>444</b>	<b>6,255</b>	<b>3,212</b>	<b>549</b>	<b>430</b>	<b>3,331</b>	<b>2,924</b>	<b>2,312</b>
Intangible assets (B)	18	128	-	146	3	46	-	49	97	15
<b>Total (A+B)</b>	<b>5,542</b>	<b>1,303</b>	<b>444</b>	<b>6,401</b>	<b>3,215</b>	<b>595</b>	<b>430</b>	<b>3,380</b>	<b>3,021</b>	<b>2,327</b>
Previous year	5,448	689	595	5,542	3,033	478	296	3,215	2,327	

(a) Includes gross block of ₹ 17 (previous year: ₹ 52) and accumulated depreciation of ₹ 11 (previous year: ₹ 46) towards transfers from non research and development to research and development fixed assets during the year.

(b) Includes gross block of ₹ 32 (previous year: ₹ 367) and accumulated depreciation of ₹ 23 (previous year: ₹ 128) towards transfers from research and development to non research and development fixed assets during the year.



## NOTES TO FINANCIAL STATEMENTS

### 2.40 ACQUISITION OF SELECT ESTABLISHED BRAND PORTFOLIO OF UCB

On 1 April 2015, the Company entered into a definitive agreement with UCB India Private Limited and other UCB group companies (together referred to as "UCB") to acquire a select portfolio of products business in the territories of India, Nepal, Sri Lanka and Maldives. The transaction includes approximately 350 employees engaged in operations of the acquired India business. The acquisition is expected to strengthen the Company's presence in the areas of dermatology, respiratory and pediatric products.

The total purchase consideration was ₹ 8,000. The acquisition was closed on 16 June 2015. The Company has allocated the aggregate purchase consideration as follows:

PARTICULARS	AMOUNT
Current assets	225
Tangible assets	6
Intangible assets:	
Product related intangibles	6,734
Marketing rights	743
Less: Current liabilities	(31)
<b>Net assets</b>	<b>7,677</b>
Goodwill	323
<b>Purchase consideration</b>	<b>8,000</b>

The total goodwill of ₹ 323 is attributable primarily to the acquired employee workforce, intangible assets that do not qualify for separate recognition and the expected synergies.

### 2.41 SEGMENT INFORMATION

In accordance with AS-17 "Segment Reporting", segment information has been given in the consolidated financial statements of Dr. Reddy's Laboratories Limited and therefore no separate disclosure on segment information is given in these financial statements.

### 2.42 FINANCE LEASE

The Company has taken vehicles on finance lease. The future minimum lease payments and their present values as at 31 March 2016 are as follows:

PARTICULARS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS	FUTURE INTEREST	MINIMUM LEASE PAYMENTS
Not later than one year	7	5	12
Later than one year and not later than five years	1	-	1
<b>Total</b>	<b>8</b>	<b>5</b>	<b>13</b>

The future minimum lease payments and their present values as at 31 March 2015 were as follows:

PARTICULARS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS	FUTURE INTEREST	MINIMUM LEASE PAYMENTS
Not later than one year	6	7	13
Later than one year and not later than five years	8	4	12
<b>Total</b>	<b>14</b>	<b>11</b>	<b>25</b>

### 2.42 OPERATING LEASE

The Company has taken offices and vehicles under operating lease agreements. Total expense recognised in statement of profit and loss on account of operating leases during the year amounts to ₹ 271 (previous year: ₹ 277).

The total future minimum lease payments under non cancellable leases are as follows:

PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
Not later than one year	85	81
Later than one year and not later than five years	96	96
<b>Total</b>	<b>181</b>	<b>177</b>

## NOTES TO FINANCIAL STATEMENTS

### 2.44 RECEIPT OF WARNING LETTER FROM THE U.S. FDA

The Company received a warning letter dated 5 November 2015 from the U.S. FDA relating to cGMP deviations at its API manufacturing facilities at Srikakulam, Andhra Pradesh and Miryalaguda, Telangana, as well as violations at its oncology formulation manufacturing facility at Duvvada, Visakhapatnam, Andhra Pradesh previously raised in Form 483 observations following inspections of these sites by the U.S. FDA in November 2014, January 2015 and February-March 2015, respectively.

The warning letter does not restrict production or shipment of the Company's products from these facilities. However, unless and until the Company is able to correct outstanding issues to the U.S. FDA's satisfaction, the U.S. FDA may withhold approval of new products and new drug applications of the Company, refuse admission of products manufactured at the facilities noted in the warning letter into the United States, and/or take additional regulatory or legal action against the Company. Any such further action could have a material and negative impact on the Company's ongoing business and operations.

The Company submitted its response to the warning letter on 7 December 2015. Further, the Company provided updates on the progress of its corrective actions to the U.S. FDA in January 2016 and March 2016.

The Company believes that it can resolve the issues raised by the U.S. FDA satisfactorily in a timely manner. The Company takes the matters identified by U.S. FDA in the warning letter seriously, and will continue to work diligently to address the observations identified in the warning letter, and is concurrently continuing to develop and implement its corrective action plans relating to the warning letter.

### 2.45 BUYBACK OF SHARES

The Board of Directors of the Company in their meeting held on 17 February 2016 approved a proposal to buyback Equity Shares of the Company, subject to approval by the shareholders, for an aggregate amount not exceeding ₹ 15,694 (referred to as the "Maximum Buyback Size") and at a price not exceeding ₹ 3,500 per Equity Share (referred to "Maximum Buyback Price") from all shareholders of the Company (including persons who become shareholders by cancelling American Depository Shares and receiving underlying Equity Shares, and excluding the promoters and promoter group of the Company) under the open market route in accordance with the provisions contained in the Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998 and the Companies Act, 2013 and rules made thereunder. The shares bought back under this plan shall be extinguished in accordance with the provisions of the Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998 and the Companies Act, 2013 and rules made there under

The Company obtained the approval of the shareholders for the buyback process on 1 April 2016 and the buyback process commenced on 18 April 2016. As of 12 May 2016, the Company bought back 350,000 equity shares as part of the aforementioned buyback process.

### 2.46 COMPARATIVE FIGURES

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

As per our report of even date attached

for B S R & Co. LLP

Chartered Accountants

Firm Registration No.: 101248W/W-100022

Supreet Sachdev

Partner

Membership No.: 205385

Place : Hyderabad

Date : 12 May 2016

for and on behalf of the Board of Directors of Dr. Reddy's Laboratories Limited

K Satish Reddy

G V Prasad

Saumen Chakraborty

Sandeep Poddar

Chairman

Co-Chairman & Chief Executive Officer

President & Chief Financial Officer

Company Secretary

# Consolidated Financial Statements

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**INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS**

To the members of Dr. Reddy's Laboratories Limited

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Dr. Reddy's Laboratories Limited ("DRL" or the "the Holding Company") and its subsidiaries and joint controlled entities (collectively referred to as "the Company" or "the Group"), comprising of the consolidated balance sheet as at 31 March 2016, the consolidated statement of profit and loss, the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

**Management's Responsibility for the Consolidated Financial Statements**

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated 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 Rule 7 of the Companies (Accounts) Rules, 2014. The Board of Directors of the Company are responsible for 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; the 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 consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in "Other Matters" paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated 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 consolidated state of affairs of the Company, as at 31 March 2016, and their consolidated profit and their consolidated cash flows for the year ended on that date.

**Other Matters**

We did not audit the financial statements of two subsidiaries, whose financial statements reflect total assets of ₹ 10,514 million as at 31 March 2016, total revenues of ₹ 15,133 million and net cash inflows amounting to ₹ 8 million for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose report have been furnished to us and our opinion on the consolidated financial statements in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on the report of such other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with respect to our reliance on the work done and the reports of the other auditor.

**INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)**Report on Other Legal and Regulatory Requirements**

As required by sub-section 3 of Section 143 of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and other financial information of subsidiary companies as noted in the "Other Matters" paragraph, we report, to the extent applicable, 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 of the aforesaid consolidated financial statements;
- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;
- (c) The consolidated balance sheet, the consolidated statement of profit and loss and the consolidated cashflow statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
- (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- (e) On the basis of the relevant assertion contained in the audit reports on the standalone financial statements of each subsidiary company and jointly controlled entities which are incorporated in India none of the Directors of any such company is disqualified as on 31 March 2016 from being appointed as a director of that company in terms sub-section 2 of Section 164 of the Act;
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company, its subsidiaries and its jointly controlled entities incorporated in India and the operating effectiveness of such controls, refer to our separate report in 'Annexure A'; and
- (g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of report of the other auditors on separate financial statements as also the other financial information of subsidiary companies, as noted in the "Other Matters" paragraph:
  - i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group - Refer Note 2.27 to the consolidated financial statements;
  - ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivatives contracts; and
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, subsidiary companies and jointly controlled entities incorporated in India.

for B S R & Co. LLP

Chartered Accountants

Firm Registration No.: 101248W/W-100022

Supreet Sachdev

Partner

Membership No.: 205385

Place : Hyderabad

Date : 12 May 2016



**ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS****Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31 March 2016, we have audited the internal financial controls over financial reporting of Dr. Reddy's Laboratories Limited ("the Holding Company"), its subsidiary companies and jointly controlled entities, which are companies incorporated in India, as of that date.

**Management's Responsibility for Internal Financial Controls**

The Respective Board of Directors of the of the Holding Company and its subsidiary companies, which are companies incorporated in India, are 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 ("ICAI"). 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 Act.

**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 (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and, both issued by ICAI. 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 auditors' judgment, 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 and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below 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 authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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 Holding Company, its subsidiary companies and jointly controlled entities which are companies incorporated in India, have, 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 31 March 2016, 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 ICAI.

**ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS** (CONTINUED)**Other Matters**

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to 5 subsidiary companies, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India.

*for B S R & Co. LLP*

*Chartered Accountants*

Firm Registration No.: 101248W/W-100022

**Supreet Sachdev**

*Partner*

Membership No.: 205385

Place : Hyderabad

Date : 12 May 2016

**CONSOLIDATED BALANCE SHEET**

PARTICULARS	NOTE	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
<b>EQUITY AND LIABILITIES</b>			
Shareholders' funds			
Share capital	2.1	853	852
Reserves and surplus	2.2	116,156	97,679
		<b>117,009</b>	<b>98,531</b>
Non current liabilities			
Long term borrowings	2.3	10,690	14,315
Deferred tax liabilities, net	2.25	592	1,407
Other long term liabilities	2.4	2,498	2,733
Long term provisions	2.5	947	779
		<b>14,727</b>	<b>19,234</b>
Current liabilities			
Short term borrowings	2.3	22,718	21,857
Trade payables	2.6		
Total outstanding dues of micro enterprises and small enterprises		20	79
Total outstanding dues of creditors other than micro enterprises and small enterprises		9,289	8,594
Other current liabilities	2.4	24,395	26,244
Short term provisions	2.5	11,946	11,439
		<b>68,368</b>	<b>68,213</b>
	<b>TOTAL</b>	<b>200,104</b>	<b>185,978</b>
<b>ASSETS</b>			
Non current assets			
Fixed assets			
Tangible assets	2.7	46,296	41,837
Intangible assets	2.7	19,338	11,933
Capital work-in-progress		6,631	5,290
Non current investments	2.8	1,456	1,456
Deferred tax assets, net	2.25	2,853	2,450
Long term loans and advances	2.9	5,194	4,181
Other non current assets	2.15	135	64
		<b>81,903</b>	<b>67,211</b>
Current assets			
Current investments	2.10	21,122	21,022
Inventories	2.11	25,799	25,699
Trade receivables	2.12	41,667	41,012
Cash and bank balances	2.13	18,358	18,724
Short term loans and advances	2.14	10,058	10,747
Other current assets	2.15	1,197	1,563
		<b>118,201</b>	<b>118,767</b>
	<b>TOTAL</b>	<b>200,104</b>	<b>185,978</b>

## Significant accounting policies

1

The accompanying notes are an integral part of consolidated financial statements

As per our report of even date attached

for B S R &amp; Co. LLP

Chartered Accountants

Firm Registration No.: 101248W/W-100022

Supreet Sachdev

Partner

Membership No.: 205385

Place : Hyderabad

Date : 12 May 2016

for and on behalf of the Board of Directors of Dr. Reddy's Laboratories Limited

K Satish Reddy

G V Prasad

Saumen Chakraborty

Sandeep Poddar

Chairman

Co-Chairman &amp; Chief Executive Officer

President &amp; Chief Financial Officer

Company Secretary

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

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS**

PARTICULARS	NOTE	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
<b>INCOME</b>			
Sales, gross		154,639	147,855
Less: Excise duty		(842)	(829)
<b>Sales, net</b>		<b>153,797</b>	<b>147,026</b>
Service income		1,466	1,689
License fees		767	369
Other operating revenues	2.16	948	1,149
<b>Revenue from operations</b>		<b>156,978</b>	<b>150,233</b>
Other income	2.17	2,693	2,741
<b>Total revenue</b>		<b>159,671</b>	<b>152,974</b>
<b>EXPENSES</b>			
Cost of material consumed (including packing material consumed)		24,667	29,002
Purchase of stock-in-trade		11,743	9,420
Changes in inventories of finished goods, work-in-progress and stock-in-trade	2.18	(1,003)	(558)
Conversion charges		2,436	1,929
Employee benefits expense	2.19	31,874	29,446
Finance costs	2.20	824	1,082
Depreciation and amortisation expense	2.7	9,705	7,599
Other expenses	2.21	48,053	46,058
<b>Total expenses</b>		<b>128,299</b>	<b>123,978</b>
<b>Profit before exceptional and extraordinary items and tax</b>		<b>31,372</b>	<b>28,996</b>
Exceptional items			
- Foreign exchange loss (Refer note 2.41)		4,621	-
<b>Profit before extraordinary items and tax</b>		<b>26,751</b>	<b>28,996</b>
Extraordinary items		-	-
<b>Profit before tax</b>		<b>26,751</b>	<b>28,996</b>
Tax expense	2.22		
Current tax expense		6,620	6,242
Deferred tax benefit		(1,383)	(610)
<b>Profit for the year</b>		<b>21,514</b>	<b>23,364</b>
<b>Earnings per share</b>	2.24		
Basic - Par value ₹ 5/- per share		126.15	137.18
Diluted - Par value ₹ 5/- per share		125.70	136.59
<b>Number of shares used in computing earnings per share</b>			
Basic		170,547,643	170,314,506
Diluted		171,151,025	171,056,969
<b>Significant accounting policies</b>	1		
The accompanying notes are an integral part of consolidated financial statements			

As per our report of even date attached  
for B S R & Co. LLP  
Chartered Accountants  
Firm Registration No.: 101248W/W-100022  
Supreet Sachdev  
Partner  
Membership No.: 205385  
Place : Hyderabad  
Date : 12 May 2016

for and on behalf of the Board of Directors of Dr. Reddy's Laboratories Limited

K Satish Reddy Chairman  
G V Prasad Co-Chairman & Chief Executive Officer  
Saumen Chakraborty President & Chief Financial Officer  
Sandeep Poddar Company Secretary

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

**CONSOLIDATED CASH FLOW STATEMENT**

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
<b>CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES</b>		
Profit before taxation	26,751	28,996
Adjustments:		
Depreciation and amortisation expense	9,705	7,599
Provision for wealth tax	-	2
Profit on sale of current investments, net	(800)	(729)
Dividend from mutual fund units	(53)	(26)
Foreign exchange loss, net	1,211	538
Foreign exchange loss related to Venezuela operations (refer note 2.41)	4,621	843
Loss on de-recognition / Impairment of fixed assets	155	267
Stock compensation expense, net	455	519
Allowance for sales returns	3,272	3,536
Interest income	(1,403)	(1,054)
Finance costs	824	1,082
Loss on sale of fixed assets, net	112	144
Provision for inventory obsolescence	2,746	3,635
Provision for doubtful debts, net	137	168
Provision for doubtful advances, net	17	16
<b>Operating cash flows before working capital changes</b>	<b>47,750</b>	<b>45,536</b>
<i>Changes in operating assets and liabilities</i>		
Trade receivables	733	(10,935)
Inventories	(2,570)	(5,413)
Trade payables	829	(45)
Other assets and liabilities, net	833	1,556
<b>Cash generated from operations</b>	<b>47,575</b>	<b>30,699</b>
Income taxes paid, net	(7,099)	(5,464)
<b>Net cash from operating activities</b>	<b>40,476</b>	<b>25,235</b>
<b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(13,879)	(15,315)
Proceeds from sale of fixed assets	84	172
Decrease in deposit accounts (having original maturity of more than 3 months) and other bank balances	321	1,581
Purchase of investments	(55,163)	(37,005)
Proceeds from sale of investments	55,864	27,386
Interest received	1,235	784
Cash paid for acquisition of business units, net of cash acquired	(7,936)	(276)
Dividend received on mutual funds	53	26
<b>Net cash used in investing activities</b>	<b>(19,421)</b>	<b>(22,647)</b>



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

**CONSOLIDATED CASH FLOW STATEMENT** (CONTINUED)

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
<b>CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES</b>		
Proceeds from issuance of share capital	1	5
Repayment of long term borrowings	(11,714)	(3,728)
Proceeds from / (repayment of) short term borrowings, net	(273)	4,068
Interest paid	(917)	(1,090)
Dividend paid (including dividend distribution tax)	(4,106)	(3,587)
<b>Net cash used in financing activities</b>	<b>(17,009)</b>	<b>(4,332)</b>
Net increase / (decrease) in cash and cash equivalents	4,046	(1,744)
Cash and cash equivalents at the beginning of the year (refer note 2.13)	5,829	8,624
Effect of foreign exchange loss on cash and cash equivalents	(4,288)	(1,051)
<b>Cash and cash equivalents at the end of the year (refer note 2.13)</b>	<b>5,587</b>	<b>5,829</b>
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year (refer note 2.13)	5,587	5,829
Other bank balances (refer note 2.13)	12,771	12,895
<b>Cash and bank balances at the end of the year (refer note 2.13)</b>	<b>18,358</b>	<b>18,724</b>

The accompanying notes are an integral part of consolidated financial statements

As per our report of even date attached  
for B S R & Co. LLP  
Chartered Accountants  
Firm Registration No.: 101248W/W-100022  
Supreet Sachdev  
Partner  
Membership No.: 205385  
Place : Hyderabad  
Date : 12 May 2016

for and on behalf of the Board of Directors of Dr. Reddy's Laboratories Limited

K Satish Reddy	Chairman
G V Prasad	Co-Chairman & Chief Executive Officer
Saumen Chakraborty	President & Chief Financial Officer
Sandeep Poddar	Company Secretary

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared and presented in accordance with the accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India, the relevant provisions of the Companies Act, 2013 and guidelines issued by the Securities and Exchange Board of India (SEBI) (Collectively referred to as "IGAAP"). The financial statements are presented in Indian Rupees rounded off to the nearest million.

#### b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Examples of such estimates include estimation of useful lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

#### c) 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.

##### 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.

#### d) Principles of consolidation

The consolidated financial statements include the financial statements of Dr. Reddy's Laboratories Limited ("DRL" or the "parent company"), and all of its subsidiaries (collectively referred to as "the Company" or "the Group"), in which the parent company has more than one-half of the voting power of an enterprise or where the parent company controls the composition of the board of directors. In accordance with AS 27 - "Financial Reporting of Interests in Joint Ventures", the Company has accounted for its proportionate share of interest in joint venture by the proportionate consolidation method. The consolidated financial statements have been prepared on the following basis:

- The financial statements of the parent company and the subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transactions and resulting unrealised profits in full. Unrealised losses resulting from intra-group transactions have also been eliminated except to the extent that recoverable value of related assets is lower than their cost to the Company. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the parent company and its share in the post-acquisition increase in the relevant reserves of the subsidiaries.
- The proportionate share of Company's interest in Joint Ventures is combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group transactions and resulting unrealised profits, to the extent it pertains to the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- The excess / deficit of cost to the parent company of its investment in the subsidiaries, joint ventures and associates over its portion of equity at the respective dates on which investment in such entities were made is recognised in the financial statements as goodwill / capital reserve.
- The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent company for its separate financial statements.
- The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

### e) Tangible fixed assets and depreciation

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

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.

Subsequent expenditure related to an item of tangible fixed asset is capitalised only if it increases the future benefits from the existing assets beyond its previously assessed standards of performance.

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by the Company's management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed.

Assets acquired on finance leases and lease hold improvements are depreciated over the period of the lease agreement or the useful life whichever is shorter. Land is not depreciated.

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

	Years
Buildings	
- Factory and administrative buildings	20 to 50
- Ancillary structures	3 to 15
Plant and machinery	3 to 15
Electrical equipment	5 to 15
Laboratory equipment	5 to 15
Furniture, fixtures and office equipment	3 to 10
Vehicles	4 to 5

Gains or losses from disposal of tangible fixed assets are recognised in the statement of profit and loss.

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.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Advances paid towards acquisition of tangible fixed assets outstanding at each balance sheet date are shown under long-term loans and advances. Cost of assets not ready for intended use, as on the balance sheet date, is shown as capital work-in-progress.

### f) Borrowing costs

General and specific borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised. Borrowing costs are interest and other costs incurred by the Company in connection with the borrowing of funds. All other borrowing costs are recognised in the statement of profit and loss in the period in which they are incurred.

### g) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition including any import duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use.

Intangible assets are amortised on a systematic basis over the best estimate of their useful lives, commencing from the date the asset is available to the Company for its use.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Years
Goodwill	5 to 20
Customer contracts	2 to 11
Copyrights and Patents (including marketing / distribution rights)	3 to 16
Technical know-how	3 to 13
Product related intangibles	5 to 15
Others	3 to 5

The amortisation period and the amortisation method for intangible assets are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and disposal. Gains or losses arising from the disposal of intangible assets are recognised in the statement of profit and loss.

### h) Investments

Investments that are readily realisable and are intended to be held for not more than one year from the date on which such investments are made are classified as current investments. All other investments are classified as non current investments. Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each individual investment.

Non current investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment. The reduction in the carrying amount is reversed when there is a rise in the value of the investment or if the reasons for the reduction no longer exist. Any reduction in the carrying amount and any reversal in such reductions are charged or credited to the statement of profit and loss.

### i) Inventories

Inventories are valued at the lower of cost and net realisable value (NRV). Cost of inventories comprises all cost of purchase, production or conversion costs and other costs incurred in bringing the inventories to their present 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. The cost of all categories of inventory is determined using weighted average cost method. NRV is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### j) Research and development

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized as expense 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 expenditure is capitalized only if:

- a. the product or the process is technically and commercially feasible;
- b. future economic benefits are probable and ascertainable;
- c. the Company intends to and has sufficient resources, technical and financial, to complete development of the product and has the ability to use or sell the asset; and
- d. development costs can be measured reliably.

### k) Employee benefits

#### Defined benefit plans

The liability in respect of defined benefit plans and other post-employment benefits is calculated using the projected unit credit method and spread over the period during which the benefit is expected to be derived from employees' services, consistent with the advice of qualified actuaries. The long term obligations are measured at present value of estimated future cash flows discounted at rates reflecting the yields on risk free government bonds that have maturity dates approximating the terms of the Company's obligations. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

All actuarial gains and losses arising during the year are recognized in the statement of profit and loss.

#### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Defined contribution plans

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

### 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.

### Compensated leave of absence

The Company provides for accumulation of compensated absences by certain categories of its employees. These employees can carry forward a portion of the unutilized compensated absences and utilize it in future periods or receive cash in lieu thereof as per Company policy. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The measurement of such obligation is based on actuarial valuation as at the balance sheet date carried out by a qualified actuary.

### Employee stock option schemes

In accordance with the SEBI guidelines, the cost calculated based on intrinsic value method i.e. the excess of the market price of shares, at the date prior to the day of grant of options under the Employee stock option schemes, over the exercise price is treated as employee compensation and amortised over the vesting period.

## I) Foreign currency transactions, balances and translation of financial statements of foreign operations

### Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

Exchange differences arising on a monetary item that, in substance, forms part of the Company's net investment in a non integral foreign operation are accumulated in a foreign currency translation reserve in the Company's financial statements. Such exchange differences are recognized in the statement of profit and loss in the event of disposal of the net investment.

### Foreign operations

The financial statements of the foreign integral subsidiaries, representative offices and branches collectively referred to as the 'foreign integral operations' are translated into Indian rupees as follows:

- Items of income and expenditure are translated at the respective monthly average rates;
- Monetary items are translated using the closing rate;
- Non monetary items are translated using the monthly average rate which is expected to approximate the actual rate on the date of transaction; and
- The net exchange difference resulting from the translation of items in the financial statements of foreign integral operations is recognised in the statement of profit and loss as foreign exchange gain/loss.

In the circumstances where there are several exchange rates available within a country, or where the closing exchange rate does not reflect the amount that is likely to be realized, then the relevant monetary items are translated using a rate that best represents the amount which is likely to be realized from, or required to disburse, such item at the balance sheet date.

The financial statements of non integral foreign operations are translated into Indian rupees as follows:

- All assets and liabilities, both monetary and non monetary, are translated using the closing rate;
- Items of income and expenditure are translated at the respective monthly average rates; and
- The resulting net exchange difference are recognized in foreign currency translation reserve account forming part of Company's reserves and surplus.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### m) Derivative instruments and hedge accounting

The Company uses forward contracts, option contracts and swap contracts (derivatives) to mitigate its risk of changes in foreign currency exchange rates and interest rates. The Company does not use derivatives for trading or speculative purposes.

The premium or discount on foreign exchange forward contracts is amortized as income or expense over the life of the contract. The exchange difference is calculated and recorded in accordance with AS 11(revised), "The Effect of Changes in Foreign Exchange Rates" in the statement of profit and loss. The changes in the fair value of foreign currency option contracts and swap contracts are recognised in the statement of profit and loss as they arise. Fair value of such option contracts and swap contracts is determined based on the appropriate valuation techniques considering the terms of the contract.

Pursuant to the ICAI Announcement "Accounting for Derivatives" on the early adoption of AS 30 "Financial Instruments: Recognition and Measurement", the Company has adopted the Standard, to the extent that the adoption does not conflict with existing mandatory accounting standards and other authoritative pronouncements, the Companies Act, 2013 and other regulatory requirements.

#### Cashflow hedges

The Company classifies its derivative contracts that hedge foreign currency risk associated with highly probable forecasted transactions as cash flow hedges and measures them at fair value. The effective portion of such cash flow hedges is recorded as part of reserves and surplus within the Company's "hedging reserve", and re-classified into the statement of profit and loss as revenue in the period corresponding to the occurrence of the forecasted transactions. The ineffective portion is immediately recorded in the statement of profit and loss.

The Company also designates certain non derivative financial liabilities, such as foreign currency borrowings from banks, as hedging instruments for the hedge of foreign currency risk associated with highly probable forecasted transactions and, accordingly, applies cash flow hedge accounting for such relationships. Re-measurement gain/loss on such non-derivative financial liabilities is recorded as part of reserves and surplus within the Company's "hedging reserve", and re-classified in the statement of profit and loss as revenue in the period corresponding to the occurrence of the forecasted transactions.

If the hedging instrument no longer meets the criteria for hedge accounting, gets expired or is sold, terminated or exercised before the occurrence of the forecasted transaction, the hedge accounting on such transaction is discontinued prospectively. The cumulative gain or loss previously recognized in hedging reserve continues to remain there until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, the balance in hedging reserve is recognized immediately in the statement of profit and loss.

### n) Revenue recognition

#### Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is reasonably certain, 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 includes excise duty and is net of returns, sales tax and applicable trade discounts and allowances.

Revenue includes shipping and handling costs billed to the customer.

#### Provision for chargeback, rebates and discounts

Accrual for chargeback, rebates, discounts and medicaid payments are estimated and provided for in the year of sales and recorded as reduction of revenue. A chargeback claim is a claim made by the wholesaler for the difference between the price at which the product is initially invoiced to the wholesaler and the net price at which it is agreed to be procured from the Company. Accrual for such chargeback is made considering the factors such as 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.

#### Sales returns

The Company accounts for sales returns 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 estimate of sales returns is determined primarily by the Company's historical experience in the markets in which the Company operates.

#### Profit share revenues

From time to time the Company enters into various marketing arrangements with its business partners for the sale of its products. Under such arrangements, the Company sells its products to the business partners at a price agreed upon in the arrangement and is also entitled to a profit share which is over and above the agreed price. Revenue in an amount equal to the agreed price is recognized on these transactions upon delivery of products to the business partners. The additional amount representing the profit share component is recognized as revenue in the period which corresponds to the ultimate sales made by business partners only when the collectability of the profit share becomes probable and a reliable measure of the profit share is available.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 recognized over the period in which the Company has continuing performance obligations. Milestone payments which are contingent on achieving certain clinical milestones are recognized 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.

### Service Income

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

### License fee

The Company enters into certain 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 recognized in the period in which the Company completes all its performance obligations.

### Dividend and interest income

Dividend income is recognised when the unconditional right to receive the income is established. Income from interest on deposits, loans and interest bearing securities is recognised on a time proportion basis.

### Export incentives

Export incentives are recognised as reduction from cost of material consumed when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

## o) Income tax expense

Income tax expense comprises current tax and deferred tax charge or credit. Total tax expense is the aggregate of the amounts of tax expense appearing in the separate financial statements of the parent company and its subsidiaries. Accordingly, tax expense is not adjusted for consolidation adjustments such as elimination of unrealized intra-group profits.

### Current tax

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

### Deferred tax

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

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

### Minimum Alternate Tax

Minimum Alternate Tax ("MAT") credit is recognized as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. Such asset is reviewed at each balance sheet date and the carrying amount of the MAT credit asset is written down to the extent there is no longer convincing evidence to the effect that the Company will pay normal income tax during the specified period.

### Offsetting

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis. Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to set-off assets against liabilities representing current tax, and where such deferred tax assets and liabilities relate to taxes on income levied by the same governing taxation laws.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### p) Earnings per share

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

### q) Impairment of assets

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

For the purpose of impairment testing, assets are grouped together into the smallest group of assets (Cash Generating Unit or CGU) that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. Value in use is the present value of the estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of amortised historical cost.

### r) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

#### Onerous contracts

A contract is considered as onerous when the expected economic benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at 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.

#### 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 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 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.

### s) 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 from the carrying amount of the related asset. Revenue Grants are deducted in reporting the related expense.

### t) Leases

At the inception of the lease, a 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 a lease that transfers substantially all the risks and rewards incident to ownership of an asset. 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 balance sheet. 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.

### u) 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 2: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 SHARE CAPITAL				
PARTICULARS	AS AT		AS AT	
	31 MARCH 2016		31 MARCH 2015	
<b>Authorised</b>				
240,000,000 (previous year: 240,000,000) equity shares of ₹ 5/- each		1,200		1,200
<b>Issued</b>				
170,607,853 (previous year: 170,381,374) equity shares of ₹ 5/- each fully paid-up		853		852
<b>Subscribed and fully paid-up</b>				
170,607,653 (previous year: 170,381,174) equity shares of ₹ 5/- each fully paid-up		853		852
Add: Forfeited share capital (e)		-	853	-
		853		852

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

PARTICULARS	AS AT		AS AT	
	31 MARCH 2016		31 MARCH 2015	
	NO. OF EQUITY SHARES	AMOUNT	NO. OF EQUITY SHARES	AMOUNT
Number of shares outstanding at the beginning of the year	170,381,174	852	170,108,868	851
Add: Equity shares issued pursuant to employee stock option plan	226,479	1	272,306	1
Number of shares outstanding at the end of the year	170,607,653	853	170,381,174	852

(b) Terms / rights attached to the equity shares

The Company has only one class of equity shares having a par value of ₹ 5 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. During the year ended 31 March 2016, the amount of per share dividend recognized as distributions to equity shareholders is ₹ 20 (previous year: ₹ 20). The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. Further, the total number of shares considered for dividend is after giving effect to the number of shares that are bought back by the Company pursuant to the share buyback scheme commenced on 18 April 2016 (Refer note 2.46). In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

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

PARTICULARS	AS AT		AS AT	
	31 MARCH 2016		31 MARCH 2015	
	NO. OF EQUITY SHARES HELD	% OF EQUITY SHARES HELD	NO. OF EQUITY SHARES HELD	% OF EQUITY SHARES HELD
Dr. Reddy's Holdings Limited	39,961,234	23.42	39,729,284	23.32
First State Investments Management (UK) Limited, First State Investments International Limited and their associates*	15,260,425	8.94	14,389,390	8.45

\* Does not include ADR holding

(d) 427,348 (previous year: 585,454) stock options are outstanding and are to be issued by the Company upon exercise of the same in accordance with the terms of exercise under the "Dr. Reddy's Employees Stock Option Plan 2002" and 92,043 (previous year: 98,350) stock options are outstanding and are to be issued by the Company upon exercise of the same in accordance with the terms of exercise under the "Dr. Reddy's Employees ADR Stock Option Plan 2007". (Refer note 2.32)

(e) Represents 200 (previous year: 200) equity shares of ₹ 5/- each, amount paid-up ₹ 500/- (rounded off in millions in the note above) forfeited due to non-payment of allotment money.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.2 RESERVES AND SURPLUS		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
<b>Capital reserve</b>		
Balance at the beginning of the year	267	267
Movement during the year	-	-
	<b>267</b>	<b>267</b>
<b>Capital Redemption reserve</b>		
Balance at the beginning of the year	148	148
Movement during the year	-	-
	<b>148</b>	<b>148</b>
<b>Securities premium account</b>		
Balance at the beginning of the year	19,591	19,157
Add: Employee stock options exercised during the year	430	434
	<b>20,021</b>	<b>19,591</b>
<b>Employee stock options outstanding*</b>		
Balance at the beginning of the year	905	815
Add: Amortisation during the year, net of forfeiture	426	519
Less: Employee stock options exercised during the year	(430)	(429)
	<b>901</b>	<b>905</b>
* Net of deferred employee stock compensation of ₹ Nil (previous year: ₹ 713) (a)		
<b>General reserve</b>		
Balance at the beginning of the year	17,340	15,661
Add: Transferred from surplus	1,355	1,679
	<b>18,695</b>	<b>17,340</b>
<b>Foreign currency translation reserve</b>		
Balance at the beginning of the year	3,772	3,773
Movement during the year	(332)	(1)
	<b>3,440</b>	<b>3,772</b>
<b>Hedging reserve</b>		
Balance at the beginning of the year	(1,811)	(1,910)
Movement during the year	972	99
	<b>(839)</b>	<b>(1,811)</b>
<b>Surplus</b>		
Balance at the beginning of the year	57,467	39,890
Add: Current year profit	21,514	23,364
Amount available for appropriations	<b>78,981</b>	<b>63,254</b>
Less: Appropriations:		
Proposed dividend on equity shares	3,405	3,408
Tax on proposed dividend	693	694
Dividend of previous years	5	6
Transferred to general reserve	1,355	1,679
Balance carried forward	<b>73,523</b>	<b>57,467</b>
	<b>116,156</b>	<b>97,679</b>

- (a) Effective 1 October 2015, the Company applied Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, which require the employee share based payments to be accounted under the Guidance note on Accounting for Employee Share-based Payments issued by the Institute of Chartered Accountants of India (ICAI). Consequent to such change, deferred employee stock compensation account has been de-recognised to conform to the new accounting pronouncement.



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.3 BORROWINGS		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
A) Long term borrowings		
<i>Secured</i>		
Long term maturities of finance lease obligations (a)	747	775
<i>Unsecured</i>		
Sales tax deferment loan from the Government of Telangana (interest free) (b)	5	8
Long term loans from banks (c)	9,938	13,532
	<b>10,690</b>	<b>14,315</b>
B) Short term borrowings		
<i>Unsecured</i>		
From Banks		
Packing credit loans (d)	20,896	20,857
Other short term borrowings (e)	1,822	1,000
	<b>22,718</b>	<b>21,857</b>

(a) Finance lease obligations represent lease rentals payable for buildings, plant and machinery and vehicles leased by the Company.

(b) Sales tax deferment loan is repayable in 4 instalments, with the last instalment due on 31 March 2019.

(c) (i) The balance of long term loan, outstanding as on 31 March 2016, comprise of External Commercial Borrowing of USD 150 million carrying interest rate of LIBOR plus 125 bps and is repayable in five equal quarterly instalments ending in February 2019.

(ii) Term loan of GBP 8 million, outstanding as on 31 March 2015, carrying interest rate of LIBOR plus 130 bps, was repaid in the current financial year.

(iii) Term loan of USD 55 million, outstanding as on 31 March 2015, carrying interest rate of LIBOR plus 100 bps was repaid in the current financial year.

As part of the aforesaid loan arrangements, the Company is required to comply with certain financial covenants and the Company was in compliance with such covenants as of 31 March 2016 and 31 March 2015.

(d) Packing credit loans for the current year comprised of USD and EUR denominated loans carrying interest rates of LIBOR minus 5 to plus 15 bps and RUB denominated loans carrying fixed interest rate of 10.65% - 11.57%, and are repayable within 6 to 12 months from the date of drawdown. Packing Credit loans for the previous year comprised of USD and EUR denominated loans carrying interest rates of LIBOR plus 7.5 - 40 bps and RUB denominated loans carrying fixed interest rate of 9.80% - 22.30%, and are repayable within 3 to 12 months from the date of drawdown.

(e) Other short term borrowing as at 31 March 2016 comprise of USD 27.5 million loan carrying interest rate of LIBOR plus 40 bps and is repayable in April 2016. In the previous year, there was an INR denominated loan of ₹ 1,000 carrying fixed interest rate of 10.00%, which has been repaid in April 2015.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 OTHER LIABILITIES		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
<b>A) Other long term liabilities</b>		
Deferred revenue	1,528	2,111
Long term incentive plan	628	323
Others	342	299
	<b>2,498</b>	<b>2,733</b>
<b>B) Other current liabilities</b>		
Current maturities of long term borrowings		
Long term loans from banks (a)	-	6,875
Finance lease obligations	110	87
Sales tax deferment loan from the Government of Telangana (interest free)	3	7
Due to capital creditors	3,231	2,168
Interest accrued but not due on loans	7	67
Unclaimed dividends, debentures and debenture interest (b)	61	57
Accrued expenses	13,958	9,926
Salary and bonus payable	2,569	2,395
Long term incentive plan	253	-
Derivative financial instrument liability	107	639
Due to statutory authorities	528	659
Trade and security deposits received	222	335
Others	3,346	3,029
	<b>24,395</b>	<b>26,244</b>

(a) Amount as on 31 March 2015 comprised of a term loan of USD 110 million carrying interest rate of LIBOR plus 100 bps. The loan was repaid during the current financial year.

(b) Unclaimed amounts are transferred to Investor Protection and Education Fund after seven years from the due date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

<b>2.5 PROVISIONS</b>		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
<b>A) Long term provisions</b>		
Provision for employee benefits		
Long service award benefit plan	157	111
Pension, seniority and severance indemnity plans	199	203
Compensated absences	536	412
Other provisions	55	53
	<b>947</b>	<b>779</b>
<b>B) Short term provisions</b>		
Provision for employee benefits		
Gratuity	243	86
Long service award benefit plan	19	14
Pension, seniority and severance indemnity plans	7	6
Compensated absences	256	204
Other provisions		
Taxation, net of advance taxes	2,560	2,801
Allowance for sales returns (a)	4,421	3,905
Proposed dividend	3,405	3,408
Tax on proposed dividend	693	694
Others	342	321
	<b>11,946</b>	<b>11,439</b>
(a) Details of changes in allowance for sales returns are as follows:		
Balance at the beginning of the year	3,905	2,504
Provision made during the year	3,272	3,536
Provision utilised during the year	(2,756)	(2,135)
Balance at the end of the year	<b>4,421</b>	<b>3,905</b>

<b>2.6 TRADE PAYABLES</b>		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
Due to micro, small and medium enterprises	20	79
Others	9,289	8,594
	<b>9,309</b>	<b>8,673</b>

- (a) The principal amount remaining unpaid as at 31 March 2016 in respect of enterprises covered under the "Micro, Small and Medium Enterprises Development Act, 2006" (MSMDA) is ₹ 20 (previous year: ₹ 79). The interest amount computed based on the provisions under Section 16 of the MSMDA of ₹ 0.11 (previous year: ₹ 0.09) is remaining unpaid as of 31 March 2016. The interest amount of ₹ 0.06 that remained unpaid as at 31 March 2015 was paid fully during the current year.
- (b) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act is ₹ Nil (previous year: ₹ Nil).
- (c) The list of undertakings covered under MSMDA was determined by the Company on the basis of information available with the Company and has been relied upon by the auditors.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.7	FIXED ASSETS	GROSS BLOCK				ACCUMULATED DEPRECIATION / AMORTISATION / IMPAIRMENT				NET BLOCK		
		AS AT 1 APRIL 2015	ADDITIONS	DELETIONS	FOREIGN EXCHANGE ADJUSTMENTS (a)	AS AT 31 MARCH 2016	FOR THE YEAR	IMPAIRMENT (b)	DELETIONS	FOREIGN EXCHANGE ADJUSTMENTS (a)	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
	<i>Tangible Assets</i>											
	Land	3,747	23	7	(1)	3,762	-	-	-	-	-	3,747
	Buildings											
	Owned	15,280	2,383	3	111	17,771	3,260	672	20	1	3,971	13,800
	Assets taken on finance lease	815	-	-	81	896	175	43	-	-	244	652
	Leasehold improvements	560	22	-	-	582	83	55	-	-	138	444
	Plant and machinery											
	Owned	35,590	5,536	233	192	41,085	17,442	3,958	-	220	21,247	19,838
	Assets taken on finance lease	11	-	-	1	12	7	2	-	-	10	2
	Electrical equipment	4,598	967	10	10	5,565	2,102	558	-	9	2,652	2,913
	Laboratory equipment											
	Owned	6,341	1,377	403	37	7,352	3,512	800	46	389	3,974	3,378
	Assets taken on finance lease	5	-	-	-	5	-	-	-	-	5	-
	Furniture, fixtures and office equipment											
	Owned	4,071	576	229	22	4,440	2,916	571	27	209	3,326	1,114
	Assets taken on finance lease	1	-	-	-	1	-	-	-	-	1	-
	Vehicles											
	Owned	241	191	26	(1)	405	164	59	1	24	200	205
	Assets taken on finance lease	363	-	7	-	356	119	52	-	3	168	188
	<b>Total tangible assets (A)</b>	<b>71,623</b>	<b>11,075</b>	<b>918</b>	<b>452</b>	<b>82,232</b>	<b>29,786</b>	<b>6,770</b>	<b>94</b>	<b>855</b>	<b>35,936</b>	<b>41,837</b>
	Previous year	62,947	10,618	1,449	(493)	71,623	25,451	5,685	-	1,133	29,786	41,837
	<i>Intangible assets</i>											
	Goodwill	31,934	323	-	3,200	35,457	27,531	869	-	3,074	31,474	4,403
	Customer contracts	768	-	132	28	664	764	5	-	132	664	-
	Copyrights and patents (including marketing / distribution rights)	14,067	820	-	1,385	16,272	12,361	45	20	-	13,716	2,556
	Technical know how	684	1,158	-	-	1,842	640	152	-	-	792	1,050
	Product related intangible	6,363	7,336	-	40	13,739	837	1,664	-	-	2,518	5,526
	Other intangibles	297	519	-	-	816	47	200	41	-	288	250
	<b>Total intangible assets (B)</b>	<b>54,113</b>	<b>10,156</b>	<b>132</b>	<b>4,653</b>	<b>68,790</b>	<b>42,180</b>	<b>2,935</b>	<b>61</b>	<b>132</b>	<b>49,452</b>	<b>11,933</b>
	Previous year	56,229	5,995	-	(8,111)	54,113	47,317	1,914	267	-	42,180	11,933
	<b>Total (A+B)</b>	<b>125,736</b>	<b>21,231</b>	<b>1,050</b>	<b>5,105</b>	<b>151,022</b>	<b>71,966</b>	<b>9,705</b>	<b>155</b>	<b>987</b>	<b>85,388</b>	<b>53,770</b>
	Previous year	119,176	16,613	1,449	(8,604)	125,736	72,768	7,599	267	1,133	71,966	53,770

(a) Foreign exchange adjustments represents exchange differences resulting from translation of tangible and intangible assets relating to non-integral foreign operations.

(b) Impairment of tangible assets pertains to assets forming part of Venezuelan subsidiary. (Refer note 2.41)

(c) The Company has capitalised borrowing costs of ₹ 51 (previous year: ₹ 31) during the year ended 31 March 2016.

(d) Additions to intangible assets includes an amount of ₹ 7,800 paid for acquisition of select established brand portfolio of UCB. (Refer Note. 2.42)

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.8 NON CURRENT INVESTMENTS		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
Non current investments at cost		
<b>I. Quoted investments</b>		
Trade		
<i>Equity shares (fully paid-up)</i>		
17,120,131 (previous year: 17,120,131) equity shares of USD 0.01/- (previous year: USD 0.01/-) each in Curis, Inc. (refer note 2.40)	1,452	1,452
<i>Other investments</i>		
120,000 (previous year: 120,000) equity shares of ₹ 1/- (previous year: ₹ 1/-) each in State Bank of India (a)	3	3
<b>Total quoted non current investments (I)</b>	<b>1,455</b>	<b>1,455</b>
<b>II. Unquoted investments</b>		
Trade		
<i>In other companies</i>		
<i>Equity shares (fully paid-up)</i>		
Ordinary shares of Biomed Russia Limited, Russia (c)	66	66
200,000 (previous year: 200,000) ordinary shares of ₹ 10/- each of Altek Engineering Limited, India	2	2
8,859 (previous year: 8,859) equity shares of ₹ 100/- each of Jeedimetla Effluent Treatment Limited, India	1	1
24,000 (previous year: 24,000) equity shares of ₹ 100/- each of Progressive Effluent Treatment Limited, India	2	2
20,250 (previous year: 20,250) equity shares of ₹ 10/- each of Shivalik Solid Waste Management Limited, India (b)	-	-
	71	71
Less: Provision for decline, other than temporary, in the value of long term investments	(70)	(70)
<b>Total unquoted non current investments, net (II)</b>	<b>1</b>	<b>1</b>
<b>Total (I + II)</b>	<b>1,456</b>	<b>1,456</b>
Aggregate amount of quoted investments	1,455	1,455
Aggregate amount of unquoted investments	71	71
Aggregate provision for diminution in value of investments	70	70
Market value of quoted investments	1,747	2,586

(a) In respect of shares in State Bank of India, the share certificates were misplaced during transfer/lost in transit. The Company has initiated necessary legal action at the appropriate courts.

(b) Rounded off in millions in the note above.

(c) Shares held in Biomed Russia Limited, Russia are not denominated in number of shares as per the laws of the country.

2.9 LONG TERM LOANS AND ADVANCES		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
<i>Unsecured</i>		
<i>Considered good</i>		
Advance income tax, net of provision	1,721	1,991
Capital advances for purchase of fixed assets	929	837
Security deposits	620	536
MAT Credit entitlement	1,614	644
Other advances	310	173
	<b>5,194</b>	<b>4,181</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.10 CURRENT INVESTMENTS		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
Current investments at cost or fair value whichever is lower		
Unquoted investments		
<i>In Mutual Funds</i>		
69,353,256.42 (Previous year: Nil) units of Sundaram Ultra Short Term Direct Plan - Growth	1,400	-
64,538,060.23 (Previous year: 64,538,060.23) units of FRF - ST - Direct Plan - Growth	1,400	1,400
601,300.54 (Previous year: Nil) units of Axis Liquid Fund - Direct Growth	1,006	-
36,945,933.17 (Previous year: Nil) units of TATA Short Term Bond Fund - Direct Plan - Growth	1,000	-
5,645,004.92 (Previous year: 5,645,004.92) units of Birla Sun Life Treasury Optimizer Plan - Direct Plan - Growth	950	950
379,714.91 (Previous year: Nil) units of SBI Premier Liquid Fund Direct Plan - Growth	900	-
64,875,313.04 (Previous year: 64,875,313.04) units of HDFC Short Term Opportunities Fund Direct Plan - Growth	900	900
30,835,232.65 (Previous year: 30,835,232.65) units of Reliance Short Term Fund - Direct Plan - Growth	818	800
19,368,651.66 (Previous year: Nil) units of JM High Liquidity Fund Direct Plan - Growth	800	-
34,380,315.6 (Previous year: 34,380,315.6) units of IDFC SSIF MTP - Direct Plan - Growth	796	796
339,126.03 (Previous year: Nil) units of L&T Liquid Fund - Direct Plan - Growth	703	-
46,042,021.04 (Previous year: Nil) units of ICICI Prudential Ultra Short Term Fund - Direct Plan - Growth	696	-
41,901,855.65 (Previous year: 41,901,855.65) units of Axis Short Term Fund - Direct Plan - Growth	636	600
251,807.51 (Previous year: Nil) units of TATA Money Market Fund - Direct Plan - Growth	600	-
452,661.06 (Previous year: Nil) units of L&T Cash Fund - Direct Plan - Growth	550	-
19,461,900.08 (Previous year: 26,714,767.68) units of IDFC Super Saver Income Fund Short Term Direct Plan - Growth	545	749
2,221,838.27 (Previous year: Nil) units of Birla Sun Life Cash Plus - Direct Plan - Growth	538	-
231,614.07 (Previous year: Nil) units of Reliance Liquidity Fund - Direct Plan - Growth	526	-
9,658,401.65 (Previous year: 9,658,401.65) units of Birla SL Short Term Fund - Direct Plan - Growth	519	500
2,475,861.43 (Previous year: 5,179,111.81) units of ICICI PRU Money Market Fund - Direct Plan - Growth	516	1,000
2,524,974.07 (Previous year: Nil) units of Birla Sun Life Floating Rate Fund Short Term Plan - Direct Plan - Growth	507	-
205,578.34 (Previous year: 355,660.52) units of Reliance Liquid Fund - Cash Plan - Direct Plan - Growth	500	800
21,501,954.53 (Previous year: 21,501,954.53) units of HSBC Income Fund Short Term Plan Direct Plan - Growth	500	500
43,119,046.28 (Previous year: 32,578,578.23) units of JM Arbitrage Adv Fund - Direct Plan - Annualised Bonus Plan principal Units	437	324
36,949,111.84 (Previous year: Nil) units of DSP BR Ultra Term Plan - Direct Plan - Growth	400	-
133,884.04 (Previous year: Nil) units of HDFC Liquid Fund Direct Plan - Growth	400	-
19,848,260.05 (Previous year: 19,848,260.05) units of ICICI Prudential Blended Plan B - Direct Plan - Growth	400	400
14,286,666.73 (Previous year: Nil) units of IDFC Ultra Short Term Fund - Direct Plan - Growth	300	-
29,038,262.9 (Previous year: 29,038,262.9) units of Sundaram Ultra Short Term Direct Plan - Bonus Plan	300	300
23,287,586.16 (Previous year: Nil) units of IDFC Banking Debt Fund - Direct Plan - Growth	300	-
25,930,471.76 (Previous year: 25,930,471.76) units of DHFL Pramerica Medium Term Income Fund Direct Plan - Growth	300	300
11,677,286.51 (Previous year: Nil) units of HDFC FRIF STF WP - Direct Plan - Growth	300	-
1,135,704.56 (Previous year: 2,415,432.1) units of ICICI PRU Liquid Fund - Direct Plan - Growth	252	500

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.10 CURRENT INVESTMENTS (CONTINUED)		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
123,620.84 (Previous year: Nil) units of IDFC Cash Fund - Direct Plan - Growth	227	-
102,256.46 (Previous year: Nil) units of TATA Treasury Manager Fund - Direct Plan - Growth	200	-
Nil (Previous year: 45,236,290.51) units of IDFC Money Manager Fund - TP- Direct Plan - Growth	-	1,000
Nil (Previous year: 52,118,621.98) units of JPMorgan India Active Bond Fund - Direct Plan - Growth	-	800
Nil (Previous year: 17,284,292.04) units of Reliance Medium Term Fund - Direct Plan - Growth	-	500
Nil (Previous year: 23,473,811.05) units of Sundaram Ultra Short Term Direct Plan - Growth	-	450
Nil (Previous year: 710,645.78) units of Axis Banking Debt Fund - Direct Plan - Growth	-	905
Nil (Previous year: 26,899,798.25) units of BNP Paribas Medium Term Income Fund Direct Plan - Growth	-	300
Nil (Previous year: 45,394,706.98) units of HDFC Banking & PSU Debt Fund - Direct Plan - Growth	-	500
Nil (Previous year: 17,169,327.34) units of HDFC Cash Mgmt Fund - Savings Plan - Growth	-	500
Nil (Previous year: 1,077,125.72) units of HSBC Cash Fund - Direct plan - Growth	-	1,500
Nil (Previous year: 24,759,220.58) units of IDFC Arbitrage Plus Fund Direct Plan DIV Pay out	-	298
Nil (Previous year: 259,865.94) units of Reliance Money Manager Fund - Direct Plan - Growth	-	500
Nil (Previous year: 19,165,753.09) units of Tata Short Term Bond Fund Direct Plan - Growth	-	500
Nil (Previous year: 193,949.96) units of TATA Liquid Fund - Direct Plan - Growth	-	500
Nil (Previous year: 323,235.94) units of SBI Magnum Insta Cash plan - Direct Plan - Growth	-	1,000
Nil (Previous year: 442,568.54) units of L&T Cash Fund - Direct Plan - Growth	-	500
Nil (Previous year: 33,255,736.62) units of ICICI Prudential blended plan - Regular dividend	-	450
	21,122	21,022

2.11 INVENTORIES		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
(Valued on weighted average basis)		
Raw materials (includes in-transit ₹ 62; previous year: ₹ 124)	5,770	6,749
Work-in-progress	7,200	6,850
Finished goods	7,130	7,594
Stock-in-trade (goods acquired for trading)	3,638	2,521
Stores and spares	1,076	979
Packing materials	985	1,006
	25,799	25,699

2.12 TRADE RECEIVABLES		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
<i>Unsecured</i>		
Outstanding for a period exceeding six months		
Considered good	738	535
Considered doubtful	789	667
	1,527	1,202
Less: Provision for doubtful debts	(789)	(667)
	738	535
Others		
Considered good	40,929	40,477
	41,667	41,012

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.13 CASH AND BANK BALANCES		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
Cash on hand	3	3
Bank balances		
In current accounts (a)	1,713	4,199
In EEFC accounts	30	32
In term deposit accounts (original maturity less than 3 months)	3,841	1,595
Cash and cash equivalents (A)	5,587	5,829
Other bank balances		
In unclaimed dividend accounts	44	39
In unclaimed fractional share pay order accounts	1	1
In unclaimed debentures and debenture interest account	17	18
In term deposit accounts (original maturity more than 3 months)	12,709	12,837
Other bank balances (B)	12,771	12,895
<b>Total (A+B)</b>	<b>18,358</b>	<b>18,724</b>

(a) Includes ₹ 124 (previous year: ₹ 1,796) representing cash and cash equivalents of the Company's subsidiary in Venezuela, which are subject to foreign exchange controls.

2.14 SHORT TERM LOANS AND ADVANCES		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
<i>Unsecured</i>		
<i>Considered good</i>		
Balances with statutory / government authorities	7,225	7,757
Prepaid expenses	681	699
Other advances	2,152	2,291
<i>Considered doubtful</i>		
Other advances recoverable in cash or in kind or for value to be received	67	54
	10,125	10,801
Less: Provision for doubtful loans and advances	(67)	(54)
	10,058	10,747

2.15 OTHER ASSETS		
PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
A) Non current assets		
In term deposit accounts (remaining maturity more than 12 months)	-	11
Other non current assets	135	53
	135	64
B) Current assets		
<i>Considered good</i>		
Claims receivable	631	339
Interest accrued but not due on term deposits	98	114
Derivative financial asset	175	979
Other current assets	293	131
	1,197	1,563

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.16 OTHER OPERATING REVENUE		
PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
Sale of spent chemicals	271	521
Scrap sales	220	299
Miscellaneous income	457	329
	<b>948</b>	<b>1,149</b>

2.17 OTHER INCOME		
PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
Interest income		
On fixed deposits	1,125	694
Others	278	360
Dividend from mutual fund units	53	26
Profit on sale of current investments, net	800	729
Foreign exchange gain, net	427	917
Miscellaneous income	10	15
	<b>2,693</b>	<b>2,741</b>

2.18 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE				
PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016		FOR THE YEAR ENDED 31 MARCH 2015	
<i>Opening</i>				
Work-in-progress	6,850		6,690	
Finished goods	7,594		8,054	
Stock-in-trade	2,521	16,965	1,663	16,407
<i>Closing</i>				
Work-in-progress	7,200		6,850	
Finished goods	7,130		7,594	
Stock-in-trade	3,638	17,968	2,521	16,965
		<b>(1,003)</b>		<b>(558)</b>

2.19 EMPLOYEE BENEFITS EXPENSE		
PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
Salaries, wages and bonus	26,819	24,843
Contribution to provident and other funds	2,233	1,909
Staff welfare expenses	2,367	2,175
Stock compensation expense	455	519
	<b>31,874</b>	<b>29,446</b>

2.20 FINANCE COSTS		
PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
Interest on long term borrowings	269	439
Interest on other borrowings	557	642
Loss on interest rate swaps, net	-	10
Changes in fair valuation of current investments	(2)	(9)
	<b>824</b>	<b>1,082</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.21 OTHER EXPENSES		
PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
Consumption of stores, spares and other materials	5,308	4,520
Clinical trials and other R&D expenses	9,233	9,605
Advertisements	984	1,362
Commission on sales	229	198
Carriage outward	2,781	3,124
Other selling expenses	8,396	8,891
Legal and professional	5,552	3,465
Power and fuel	3,152	3,391
Repairs and maintenance		
Buildings	406	364
Plant and machinery	2,544	2,238
Others	1,562	1,335
Insurance	509	475
Travel and conveyance	1,937	1,923
Rent	739	746
Rates and taxes	850	907
Corporate Social Responsibility and donations*	435	329
Provision for doubtful debts, net	137	168
Provision for doubtful advances, net	17	16
Non Executive Directors' remuneration	78	80
Auditors' remuneration (Refer note 2.29)	15	15
Loss on sale of fixed assets, net	112	144
Other general expenses	3,077	2,762
	<b>48,053</b>	<b>46,058</b>

\* Includes an amount of ₹ 416 (previous year: ₹ 292) incurred towards various Corporate Social Responsibility (CSR) activities in accordance with section 135 of the Companies Act, 2013.

2.22 TAX EXPENSE		
PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
Current tax expense		
Domestic taxes	4,428	4,457
MAT credit entitlement	(970)	(644)
Foreign taxes	3,162	2,429
	<b>6,620</b>	<b>6,242</b>
Deferred tax expense/ (benefit)		
Domestic taxes	(956)	40
Foreign taxes	(427)	(650)
	<b>(1,383)</b>	<b>(610)</b>



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.23 RESEARCH AND DEVELOPMENT EXPENSES

Details of research and development expenses (excluding depreciation and amortisation expense) incurred during the year and included under various heads of expenditures are given below:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
Employee benefits expense (included in note 2.19)	5,156	4,310
Other expenses (included in note 2.21)		
Materials and consumables	3,510	2,936
Clinical trials and other R&D expenses	9,233	9,605
	<b>17,899</b>	<b>16,851</b>

### 2.24 EARNINGS PER SHARE (EPS)

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
<i>Earnings</i>		
Profit for the year	21,514	23,364
<i>Shares</i>		
Number of shares at the beginning of the year	170,381,174	170,108,868
Add: Equity shares issued on exercise of vested stock options	226,479	272,306
Total number of equity shares outstanding at the end of the year	170,607,653	170,381,174
Weighted average number of equity shares outstanding during the year - Basic	<b>170,547,643</b>	<b>170,314,506</b>
Add: Weighted average number of equity shares arising out of outstanding stock options (net of the stock options forfeited) that have dilutive effect on the EPS	603,382	742,463
Weighted average number of equity shares outstanding during the year - Diluted	<b>171,151,025</b>	<b>171,056,969</b>
<i>Earnings per share of par value ₹ 5/- - Basic (₹)</i>	126.15	137.18
<i>Earnings per share of par value ₹ 5/- - Diluted (₹)</i>	125.70	136.59

### 2.25 DEFERRED TAXATION

PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
<i>Deferred tax assets / (liabilities)</i>		
Operating tax loss and interest loss carry-forward	445	581
Inventories	183	240
Trade receivables and other current assets	2,769	916
Current liabilities and provisions	1,001	868
Stock based compensation	(284)	(288)
Tangible and intangible assets	(1,853)	(1,274)
<b>Deferred tax assets, net</b>	<b>2,261</b>	<b>1,043</b>

The net deferred tax assets of ₹ 2,261 (previous year: ₹ 1,043) have the following breakdown:

PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
Deferred tax assets	2,853	2,450
Deferred tax liabilities	(592)	(1,407)
<b>Deferred tax assets, net</b>	<b>2,261</b>	<b>1,043</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.26 (a) DESCRIPTION OF THE GROUP

Dr. Reddy's Laboratories Limited ("DRL" or the "parent company") together with its subsidiaries (collectively, "the Company" or "the Group") is a leading India-based pharmaceutical company headquartered and having its registered office in Hyderabad, Telangana, India. Through its three businesses - Pharmaceutical Services and Active Ingredients, Global Generics and Proprietary Products - the Company offers a portfolio of products and services, including Active Pharmaceutical Ingredients ("APIs"), Custom Pharmaceutical Services ("CPS"), generics, biosimilars, differentiated formulations and New Chemical Entities ("NCEs"). The Company's principal research and development facilities are located in Andhra Pradesh, India; Cambridge, United Kingdom; and Leiden, the Netherlands; its principal manufacturing facilities are located in Telangana, India; Andhra Pradesh, India; Himachal Pradesh, India; Cuernavaca-Cuautla, Mexico; Mirfield, United Kingdom; Louisiana, United States and Tennessee, United States; and its principal markets are in India, Russia, the United States, the United Kingdom, Venezuela and Germany. The Company's shares trade on the Bombay Stock Exchange and the National Stock Exchange in India and, since 11 April 2001, also on the New York Stock Exchange in the United States.

Subsidiaries, step-down subsidiaries and joint ventures of the parent company are listed below:

ENTITY	COUNTRY OF INCORPORATION	PERCENTAGE OF HOLDING (%)
<b>Subsidiaries</b>		
Aurigene Discovery Technologies Limited	A Company organised under the laws of India	100
Chemisor Investments Limited	A Company organised under the laws of India	100
Dr. Reddy's Bio-sciences Limited	A Company organised under the laws of India	100
Dr. Reddy's Farmaceutica Do Brasil Ltda.	A Company organised under the laws of Brazil	100
Dr. Reddy's Pharma SEZ Limited	A Company organised under the laws of India	100
Dr. Reddy's Laboratories SA	A Company organised under the laws of Switzerland	100
DRL Impex Limited	A Company organised under the laws of India	100
Idea2Enterprises (India) Private Limited	A Company organised under the laws of India	100
Industrias Quimicas Falcon de Mexico S.A.de C.V.	A Company organised under the laws of Mexico	100
Reddy Antilles N.V.	A Company organised under the laws of Netherlands	100
Reddy Chemisor S.A. (under liquidation)	A Company organised under the laws of France	100
Reddy Pharma Iberia SA	A Company organised under the laws of Spain	100
<b>Step-down subsidiaries</b>		
Aurigene Discovery Technologies (Malaysia) SDN BHD	A subsidiary of Aurigene Discovery Technologies Limited organised under the laws of Malaysia	100
Aurigene Discovery Technologies Inc.	A subsidiary of Aurigene Discovery Technologies Limited organised under the laws of USA	100
beta Institut gemeinnützige GmbH	A subsidiary of Reddy Holding GmbH organised under the laws of Germany	100
betapharm Arzneimittel GmbH	A subsidiary of Reddy Holding GmbH organised under the laws of Germany	100
Chienna B.V.	A subsidiary of OctoPlus B.V. organised under the laws of Netherlands	100
Chirotech Technology Limited	A subsidiary of Dr. Reddy's Laboratories (EU) Limited organised under the laws of United Kingdom	100
Dr. Reddy's Laboratories (Australia) Pty. Limited	A subsidiary of Dr. Reddy's Laboratories SA organised under the laws of Australia	100
Dr. Reddy's Laboratories (Proprietary) Limited	A subsidiary of Dr. Reddy's Laboratories SA organised under the laws of the Republic of South Africa	100
Dr. Reddy's Srl	A subsidiary of Reddy Pharma Italia S.R.L. organised under the laws of Italy	100
Dr. Reddy's Laboratories (EU) Limited	A subsidiary of Dr. Reddy's Laboratories SA organised under the laws of the United Kingdom	100
Dr. Reddy's Laboratories (UK) Limited	A subsidiary of Dr. Reddy's Laboratories (EU) Limited organised under the laws of the United Kingdom	100
Dr. Reddy's Laboratories Canada, Inc.	A subsidiary of Dr. Reddy's Laboratories SA organised under the laws of Canada	100
Dr. Reddy's Singapore PTE Limited	A subsidiary of Dr. Reddy's Laboratories SA organised under the laws of Singapore	100
Dr. Reddy's Laboratories Inc.	A subsidiary of Dr. Reddy's Laboratories SA organised under the laws of USA	100
Dr. Reddy's Laboratories International SA	A subsidiary of Dr. Reddy's Laboratories SA organised under the laws of Switzerland	100
Dr. Reddy's Laboratories SAS (from 24 November 2014)	A subsidiary of Dr. Reddy's Laboratories SA organised under the laws of Colombia	100

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.26 (a) DESCRIPTION OF THE GROUP (CONTINUED)

ENTITY	COUNTRY OF INCORPORATION	PERCENTAGE OF HOLDING (%)
Dr. Reddy's Laboratories New York, Inc.	A subsidiary of Dr. Reddy's Laboratories SA organised under the laws of USA	100
Dr. Reddy's Laboratories LLC, Ukraine	A subsidiary of Dr. Reddy's Laboratories SA organised under the laws of Ukraine	100
Dr. Reddy's New Zealand Limited	A subsidiary of Dr. Reddy's Laboratories SA organised under the laws of New Zealand	100
Dr. Reddy's Laboratories Japan KK (from 21 April 2015)	A subsidiary of Dr. Reddy's Laboratories SA organised under the laws of Japan	100
Dr. Reddy's Laboratories Louisiana LLC	A subsidiary of Dr. Reddy's Laboratories Inc. organised under the laws of USA	100
Dr. Reddy's Laboratories Romania S.R.L.	A subsidiary of Dr. Reddy's Laboratories SA organised under the laws of Romania	100
Dr. Reddy's Laboratories Tennessee, LLC	A subsidiary of Dr. Reddy's Laboratories Inc. organised under the laws of USA	100
Dr. Reddy's Venezuela, C.A.	A subsidiary of Dr. Reddy's Laboratories SA organised under the laws of Venezuela	100
Eurobridge Consulting B.V.	A subsidiary of Reddy Antilles N.V. organised under the laws of Netherlands	100
I-VEN Pharma Capital Limited (until 20 November 2014)	A subsidiary of DRL Impex Limited organised under the laws of India	100
Lacock Holdings Limited	A subsidiary of Dr. Reddy's Laboratories SA organised under the laws of Cyprus	100
OOO Dr. Reddy's Laboratories Limited	A subsidiary of Dr. Reddy's Laboratories SA organised under the laws of Russia	100
OctoPlus B.V.	A subsidiary of Reddy Netherlands B.V. organised under the laws of Netherlands	100
OctoPlus Development B.V.	A subsidiary of OctoPlus B.V. organised under the laws of Netherlands	100
OctoPlus Sciences B.V.	A subsidiary of OctoPlus B.V. organised under the laws of Netherlands	100
OctoPlus PolyActive Sciences B.V.	A subsidiary of OctoPlus Sciences B.V. organised under the laws of Netherlands	100
OctoPlus Technologies B.V.	A subsidiary of OctoPlus B.V. organised under the laws of Netherlands	100
OctoShare B.V.	A subsidiary of OctoPlus B.V. organised under the laws of Netherlands	100
OOO DRS LLC	A subsidiary of Eurobridge Consulting B.V. organised under the laws of Russia	100
Promius Pharma LLC	A subsidiary of Dr. Reddy's Laboratories Inc. organised under the laws of USA	100
Reddy Specialities GmbH (till 21 November 2015)	A subsidiary of Reddy Holding GmbH organised under the laws of Germany	100
Reddy Holding GmbH	A subsidiary of Dr. Reddy's Laboratories SA organised under the laws of Germany	100
Reddy Netherlands B.V.	A subsidiary of Dr. Reddy's Laboratories SA organised under the laws of Netherlands	100
Reddy Pharma Italia S.R.L. (formerly Reddy Pharma Italia S.p.A.)	A subsidiary of Lacock Holdings Limited organised under the laws of Italy	100
Reddy Pharma SAS (from 29 October 2015)	A subsidiary of Dr. Reddy's Laboratories SA organised under the laws of France	100
<b>Joint Ventures</b>		
Kunshan Rotam Reddy Pharmaceutical Company Limited	A joint venture of Dr. Reddy's Laboratories Limited organised under the laws of China	51.33
DRANU LLC	A joint venture of Dr. Reddy's Laboratories Inc. organised under the laws of USA	50
DRSS Solar Power Private Limited	A joint venture of Dr. Reddy's Laboratories Limited organised under the laws of India	26
DRES Solar Power Private Limited (from 6 October 2015)	A joint venture of Dr. Reddy's Laboratories Limited organised under the laws of India	26

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.26 (b) ADDITIONAL INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS					
SL. NO.	NAME OF THE ENTITY	AS AT 31 MARCH 2016		FOR THE YEAR ENDED 31 MARCH 2016	
		NET ASSETS, i.e., TOTAL ASSETS MINUS TOTAL LIABILITIES		SHARE IN PROFIT / (LOSS)	
		AS % OF CONSOLIDATED NET ASSETS	AMOUNT	AS % OF CONSOLIDATED PROFIT / (LOSS)	AMOUNT
	<b>Parent</b>				
	Dr. Reddy's Laboratories Limited	99.18	116,054	62.96	13,545
	<b>Subsidiaries</b>				
	<i>India</i>				
1	Aurigene Discovery Technologies Limited	0.98	1,141	1.12	241
2	Cheminor Investments Limited	0.00	1	-	-
3	Dr. Reddy's Bio-Sciences Limited	0.32	373	(0.05)	(11)
4	DRL Impex Limited	(0.09)	(100)	(0.09)	(20)
5	Idea2Enterprises (India) Private Limited	1.24	1,446	-	-
6	Dr. Reddy's Pharma SEZ Limited	-	-	-	-
	<i>Foreign</i>				
1	Aurigene Discovery Technologies (Malaysia) SDN BHD	0.02	23	0.03	6
2	Aurigene Discovery Technologies Inc.	0.00	2	(0.01)	(1)
3	beta Institut gemeinnützige GmbH	0.01	6	-	-
4	betapharm Arzneimittel GmbH	0.06	68	0.01	2
5	Chienna B.V.	(0.80)	(932)	(0.72)	(155)
6	Chirotech Technology Limited	0.65	763	1.82	392
7	Dr. Reddy's Farmaceutica Do Brasil Ltda.	(0.21)	(247)	-	-
8	Dr. Reddy's Laboratories (Australia) Pty. Limited	(0.39)	(461)	(0.67)	(143)
9	Dr. Reddy's Laboratories (Canada), Inc.	(0.04)	(46)	(0.01)	(1)
10	Dr. Reddy's Laboratories (EU) Limited	2.20	2,574	5.92	1,273
11	Dr. Reddy's Laboratories (Proprietary) Limited	0.16	182	0.26	55
12	Dr. Reddy's Laboratories (UK) Limited	1.30	1,515	2.77	596
13	Dr. Reddy's Laboratories Inc.	8.33	9,743	10.73	2,308
14	Dr. Reddy's Laboratories International SA	0.24	278	0.01	3
15	Dr. Reddy's Laboratories Japan KK	0.01	13	(0.00)	(1)
16	Dr. Reddy's Laboratories LLC, Ukraine	0.42	497	1.33	287
17	Dr. Reddy's Laboratories Louisiana LLC	7.32	8,561	7.22	1,554
18	Dr. Reddy's Laboratories New York, Inc.	0.00	3	(3.66)	(788)
19	Dr. Reddy's Laboratories Romania S.R.L	0.13	158	0.22	47
20	Dr. Reddy's Laboratories SA	34.45	40,310	5.86	1,260
21	Dr. Reddy's Laboratories SAS (from 24 November 2014)	0.02	22	(0.12)	(27)
22	Dr. Reddy's Laboratories Tennessee, LLC	(0.91)	(1,061)	(2.78)	(597)
23	Dr. Reddy's New Zealand Limited	0.04	47	0.07	14
24	Dr. Reddy's Singapore PTE Limited	0.03	37	0.03	7
25	Dr. Reddy's Srl	(0.79)	(924)	(0.13)	(27)
26	Dr. Reddy's Venezuela, C.A.	(3.43)	(4,010)	(20.97)	(4,511)
27	Euro Bridge Consulting B.V.	0.13	151	(0.01)	(3)
28	Industrias Quimicas Falcon de Mexico, S.A. de C.V.	0.18	212	0.72	155
29	Lacock Holdings Limited	0.14	169	(0.00)	(1)
30	OctoPlus B.V.	1.03	1,202	0.09	19
31	OctoPlus Development B.V.	1.98	2,316	3.31	713
32	OctoPlus PolyActive Sciences B.V.	0.00	1	-	-

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.26 (b) ADDITIONAL INFORMATION TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)					
SL. NO.	NAME OF THE ENTITY	AS AT 31 MARCH 2016		FOR THE YEAR ENDED 31 MARCH 2016	
		NET ASSETS, i.e., TOTAL ASSETS MINUS TOTAL LIABILITIES		SHARE IN PROFIT / (LOSS)	
		AS % OF CONSOLIDATED NET ASSETS	AMOUNT	AS % OF CONSOLIDATED PROFIT / (LOSS)	AMOUNT
33	OctoPlus Sciences B.V.	0.04	51	(0.11)	(24)
34	OctoPlus Technologies B.V.	(3.26)	(3,818)	(1.51)	(324)
35	OctoShare B.V.	0.60	706	(0.57)	(122)
36	OOO Dr. Reddy's Laboratories Limited	1.78	2,081	0.73	157
37	OOO DRS LLC	0.12	136	0.01	2
38	Promius Pharma LLC	(6.70)	(7,843)	(11.70)	(2,518)
39	Reddy Antilles N.V.	(0.12)	(144)	(0.10)	(22)
40	Reddy Cheminor S.A. (under liquidation)	-	-	-	-
41	Reddy Holding GmbH	14.77	17,284	17.55	3,776
42	Reddy Netherlands B.V.	2.36	2,758	0.93	200
43	Reddy Pharma Iberia SA	0.05	55	0.01	3
44	Reddy Pharma Italia S.R.L. (formerly Reddy Pharma Italia S.p.A.)	(0.10)	(116)	(0.04)	(8)
45	Reddy Pharma SAS (from 29 October 2015)	0.01	17	(0.09)	(19)
46	Reddy Specialities GmbH (till 21 November 2015)	-	-	-	-
<b>Joint Ventures</b>					
<i>India</i>					
1	DRSS Solar Power Private Limited	-	-	-	-
2	DRES Solar Power Private Limited (from 6 October 2015)	-	-	-	-
<i>Foreign</i>					
1	Kunshan Rotam Reddy Pharmaceutical Company Limited	0.93	1,092	1.06	228
2	DRANU LLC	-	-	(0.20)	(44)
<b>Sub total</b>		<b>164.39</b>	<b>192,346</b>	<b>81.23</b>	<b>17,476</b>
<i>Less: Effect of intercompany adjustments / eliminations</i>		<i>64.39</i>	<i>75,337</i>	<i>(18.77)</i>	<i>(4,038)</i>
<b>Total</b>		<b>100.00</b>	<b>117,009</b>	<b>100.00</b>	<b>21,514</b>

Note: Net assets and share in profit or loss for the Parent Company, subsidiaries and joint ventures are as per the standalone financial statements of the respective entities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2.27 CONTINGENT LIABILITIES AND COMMITMENTS

PARTICULARS	AS AT	AS AT
	31 MARCH 2016	31 MARCH 2015
(A) Contingent liabilities:		
<i>Claims against the Company not acknowledged as debts in respect of:</i>		
(a) Income tax matters under dispute (refer note 'p' below)	2,078	1,181
(b) Excise matters (including service tax), under dispute (refer note 'n' below)	509	402
(c) Sales tax matters, under dispute	75	317

## (d) DPCO matters

The Company is contesting various demands for payment to the credit of the Drug Prices Equalisation Account under Drugs (Price Control) Order (DPCO), 1995 for few of its products, including norfloxacin. Based on its best estimate, the Company has made a provision for the potential liability related to the allegedly overcharged amount including the interest thereon and believes that the possibility of any liability that may arise on account of penalty on this demand is not probable. In the event the Company is unsuccessful in its litigation in the Supreme Court, it will be required to remit the sale proceeds in excess of the notified selling prices to the Government of India with interest and including penalties, if any, which amounts are not readily ascertainable.

## (e) Nexium United States litigations

Five federal antitrust class action lawsuits were brought on behalf of direct purchasers of Nexium®, and ten federal class action lawsuits were brought under both state and federal law on behalf of end-payors of Nexium®. These actions were filed against various generic manufacturers, including the Company and its U.S. subsidiary Dr. Reddy's Laboratories, Inc. These actions were consolidated in the United States District Court for the District of Massachusetts.

The complaints alleged that AstraZeneca and the involved generic manufacturers settled patent litigation related to Nexium® capsules in ways that violated antitrust laws. The Company consistently maintained that its conduct complied with all applicable laws and that the complaints were without merit. In response to a motion for summary judgment made by the Company, the Court granted the motion in part and denied it in part, finding that the plaintiffs had failed to demonstrate that the Company's settlement of patent litigation with AstraZeneca included any large or unjustified reverse payment, but preserving other claims for trial.

On 20 October 2014, the Company reached a settlement with all plaintiffs who had cases pending in the District of Massachusetts. The settlements with the class plaintiffs were subject to the Court's approval. Under the terms of the settlement, the Company made no payment to the class plaintiffs. The remaining defendants went to trial and prevailed, and that matter is on appeal.

The Court granted preliminary approval of the Company's settlements with the class plaintiffs on 28 January 2015, and granted final approval of such settlements on 29 September 2015.

In addition, two complaints, similar in nature to those referenced above, were filed in the Court of Common Pleas in Philadelphia, Pennsylvania by plaintiffs who chose to opt out of the class action lawsuit. No dispositive motions have been filed in these actions.

## (f) Reclast and Zometa United States litigation

In January 2013, Novartis AG ("Novartis") brought patent infringement actions against the Company and a number of other generic companies in the United States District Court for the District of New Jersey. Novartis asserted that the Company's ANDA referencing Reclast® would infringe Novartis' U.S. Patent No. 8,052,987 and that the Company's ANDA referencing Zometa® would infringe Novartis' U.S. Patent No. 8,324,189. In February 2013, Novartis sought a temporary restraining order and a preliminary injunction prohibiting the Company and the other defendants from launching generic equivalents to the Reclast® and Zometa® products. The Court denied Novartis' motion for a temporary restraining order on 1 March 2013 and, later that month, the Company launched its generic version of Novartis' Zometa® Injection (zoledronic acid, 4 mg/5mL product). The Company launched its generic version of Novartis' Reclast® Injection (zoledronic acid, 5 mg/100mL product) in April 2013.

In January 2016, the parties reached an agreement settling litigation regarding these products. Under the terms of the agreement, the Company made a one-time payment to Novartis in exchange for a license to all relevant patents. The settlement ended the potential patent related liability associated with the Company's sale of these products.

Pursuant to this agreement, the Company paid ₹ 430 (USD 6.5 million) to Novartis as a settlement amount for past and future sales of the products. Of the total amount, ₹ 69 (USD 1.04 million) represents the payment for a non-exclusive license and is recognized as a product related intangible asset and the balance of ₹ 361 (USD 5.46 million) is recorded as "Other general expenses" in the Company's consolidated statement of profit and loss for the year ended 31 March 2016.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.27 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

#### g) *Child resistant packaging matter*

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 30 April 2014 that the Company has violated the Consumer Product Safety Act (the "CPSA") and the Poison Prevention Packaging Act (the "PPPA") and intends to seek civil penalties. Specifically, the CPSC asserted, among other things, that from or about 14 August 2008 through 1 June 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 and is engaged in discussions with the CPSC regarding its compliance with the regulations.

Simultaneously, the Department of Justice (the "DOJ") had begun 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 10 November 2015, the FCA Complaint was unsealed and the plaintiff whistleblowers (the "Relators"), who are two former employees of the Company, have proceeded without the DOJ's and 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 disputes the allegations in the FCA Complaint and intends to vigorously defend against those allegations.

Although the DOJ and States have declined to intervene in the FCA Complaint filed by the Relators, the parallel investigation by the CPSC under the CPSA and the PPPA was referred by the CPSC to the DOJ, in April 2016, with the recommendation that the DOJ initiate a civil penalty action against the Company. The CPSC related matter referred to the DOJ relates to 5 of the blister pack products. The Company cannot conclude that the likelihood of an unfavourable outcome is either probable or remote. Accordingly, no provision related to these investigations and claims is made in the Company's consolidated financial statements as of 31 March 2016. An unfavourable outcome in these matters could result in significant liabilities, which could have a material adverse effect on the Company.

#### h) *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. Sergeant 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. All defendants, including the Company, have moved to dismiss the claims.

Four other class action complaints, each containing similar allegations to the Sergeants complaint, have also been filed in 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 Southern District of New York. The case brought by the State of New York contained some (but not all) of the allegations set out 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 30 November 2015.

#### i) *Private Party Class Action Litigation on Pricing / Reimbursement Matters*

On 30 December 2015, a class action complaint was filed against the Company and eighteen other pharmaceutical defendants (the "Action") in State Court in the Commonwealth of Pennsylvania. In the Action, 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, 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 Company disputes these allegations and intends to vigorously defend against these allegations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.27 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

#### (j) Land pollution, India

The Indian Council for Environmental Legal Action filed a writ in 1989 under Article 32 of the Constitution of India against the Union of India and others in the Supreme Court of India for the safety of people living in the Patancheru and Bollaram areas of Medak district of the then existing undivided state of Andhra Pradesh. The Company has been named in the list of polluting industries. In 1996, the Andhra Pradesh District Judge proposed that the polluting industries compensate farmers in the Patancheru, Bollaram and Jeedimetla areas for discharging effluents which damaged the farmers' agricultural land. The compensation was fixed at ₹ 0.0013 per acre for dry land and ₹ 0.0017 per acre for wet land. Accordingly, the Company has paid a total compensation of ₹ 3. The Company believes that the possibility of additional liability is remote. The Andhra Pradesh High Court disposed of the writ petition on 12 February 2013 and transferred the case to the National Green Tribunal ("NGT"), Chennai, India. The interim orders passed in the writ petitions will continue until the matter is decided by the NGT. The NGT has, through its order dated 30 October 2015, constituted a Fact Finding Committee. The NGT has also permitted the alleged polluting industries to appoint a person on their behalf in the Fact Finding Committee. However, the Company along with the alleged polluting industries have challenged the constitution and composition of the Fact Finding Committee. The NGT has directed that until all the applications challenging the constitution and composition of the Fact Finding Committee are disposed of, the Fact Finding Committee shall not commence its operation.

#### (k) Water pollution and air pollution, India

During the year ended 31 March 2012, the Company, along-with 14 other companies, received a notice from the Andhra Pradesh Pollution Control Board ("APP Control Board") to show cause as to why action should not be initiated against them for violations under the Indian Water Pollution Act and the Indian Air Pollution Act. Furthermore, the APP Control Board issued orders to the Company to (i) stop production of all new products at the Company's manufacturing facilities in Hyderabad, India without obtaining a "Consent for Establishment", (ii) cease manufacturing products at such facilities in excess of certain quantities specified by the APP Control Board and (iii) furnish a bank guarantee to assure compliance with the APP Control Board's orders.

The Company appealed the APP Control Board orders to the Andhra Pradesh Pollution Appellate Board (the "APP Appellate Board"). The APP Appellate Board, on the basis of a report of a fact-finding advisory committee, recommended to the Andhra Pradesh Government to allow expansion of units fully equipped with Zero-Liquid Discharge ("ZLD") facilities and otherwise found no fault with the Company (on certain conditions). The APP Appellate Board's decision was challenged by one of the petitioners in the National Green Tribunal and the matter is currently pending before it.

Separately, the Andhra Pradesh Government, following recommendations of the APP Appellate Board, published a notification in July 2013 that allowed expansion of production of all types of existing bulk drug and bulk drug intermediate manufacturing units subject to the installation of ZLD facilities and the outcome of cases pending in the National Green Tribunal. Importantly, the notification directed pollution load of industrial units to be assessed at the point of discharge (if any) as opposed to point of generation.

In September 2013, the Ministry of Environment and Forests, based on the revised Comprehensive Environment Pollution Index, issued a notification that re-imposed a moratorium on expansion of industries in certain areas where some of the Company's manufacturing facilities are located. This notification overrides the Andhra Pradesh Government's notification that conditionally permitted expansion.

#### (l) Fuel surcharge adjustment

The Andhra Pradesh Electricity Regulatory Commission (the "APERC") passed various orders approving the levy of Fuel Surcharge Adjustment ("FSA") charges for the period from 1 April 2008 to 31 March 2013 by power distribution companies from all the consumers of electricity in the then existing undivided state of Andhra Pradesh, India where the Company's headquarters and principal manufacturing facilities are located. Separate writ petitions filed by the Company for various periods, challenging and questioning the validity and legality of this levy of FSA charges by the APERC, are pending before the High Court of Andhra Pradesh and the Supreme Court of India.

After taking into account all of the available information and legal provisions, the Company has recorded an amount of ₹ 219 as the potential liability towards FSA charges. The total amount approved by APERC for collection by the power distribution companies from the Company in respect of FSA charges for the period from 1 April 2008 to 31 March 2013 is ₹ 482. As of 31 March 2016, the Company has made "payments under protest" of ₹ 354 as demanded by the power distribution companies as part of monthly electricity bills. The Company remains exposed to additional financial liability should the orders passed by the APERC be upheld by the Courts.

#### (m) Assessable value of products supplied by a vendor to the Company.

During the year ended 31 March 2003, the Central Excise Authorities of India (the "Central Excise Authorities") issued a demand notice to a vendor of the Company regarding the assessable value of products supplied by this vendor to the Company. The Company has been named as a co-defendant in this demand notice. The Central Excise Authorities demanded payment of ₹ 176 from the vendor, including penalties of ₹ 90. Through the same notice, the Central Excise Authorities issued a penalty claim of ₹ 70 against the Company. During the year ended 31 March 2005, the Central Excise Authorities issued an additional notice to this vendor demanding ₹ 226 from the vendor, including a penalty of ₹ 51. Through the same notice, the Central Excise Authorities issued a penalty claim of ₹ 7 against the Company. Furthermore, during the year ended 31 March 2006, the Central Excise Authorities issued an additional notice to this vendor demanding ₹ 34. The Company filed appeals against these notices with the Customs, Excise and Service Tax Appellate Tribunal (the "CESTAT"). In October 2006, the CESTAT passed an order in favor of the Company setting aside all of the above demand notices. In July 2007, the Central Excise Authorities appealed against CESTAT's order in the Supreme Court of India, New Delhi.

On 27 November 2015, the Supreme Court of India dismissed the appeal of the Central Excise Authorities and passed an order in favor of the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.27 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

#### (n) Distribution of input service tax credits

The Central Excise Authorities have issued various show cause notices to the Company objecting to the Company's methodology of distributing input service tax credits claimed for one of the Company's facilities. The below table shows the details of each of such show cause notices and the consequential actions on and status of the same.

Period covered under the notice	Amount demanded	Status
March 2008 to September 2009	₹ 102 plus 100% penalties and interest thereon	The Company has filed an appeal before the CESTAT.
October 2009 to March 2011	₹ 125 plus penalties of ₹ 100 and interest thereon	The Company has filed an appeal before the CESTAT.
April 2011 to March 2012	₹ 51 plus interest and penalties	The Company has filed an appeal before the CESTAT.
April 2012 to March 2013	₹ 54 plus interest and penalties	The Company has filed an appeal before the CESTAT.
April 2013 to March 2014	₹ 69 plus interest and penalties	The Company has filed an appeal before the CESTAT.
April 2014 to March 2015	₹ 108 plus interest and penalties	The Company is in the process of responding to such notice.

The Company believes that the possibility of any liability that may arise on account of the allegedly inappropriate distribution of input service tax credits is not probable. Accordingly, no provision relating to these claims has been made in the consolidated financial statements as of 31 March 2016.

#### (o) Value Added Tax ("VAT") matter

The Company received various show cause notices from the Government of Telangana's Commercial Taxes Department objecting to the Company's methodology of calculation of VAT input credit. The below table shows the details of each of such show cause notices and the consequential actions on and status of the same.

Period covered under the notice	Amount demanded	Status
April 2006 to March 2009	₹ 66 plus 10% penalty	The Company has filed an appeal before the Sales Tax Appellate Tribunal.
April 2009 to March 2011	₹ 59 plus 10% penalty	The Company has filed an appeal before the Sales Tax Appellate Tribunal.
April 2011 to March 2013	₹ 16 plus 10% penalty	The Appellate Deputy Commissioner issued an order partially in favour of the Company. In January 2016, the Assistant Commissioner issued an order partially in favour of the Company.

The Company has recorded a provision of ₹ 27 as of 31 March 2016, and believes that the possibility of any further liability that may arise on account of the allegedly inappropriate claims to VAT credits is not probable.

#### Others

Additionally, the Company is in receipt of various show cause notices from the Indian Sales Tax authorities. The disputed amount is ₹ 57. The Company has responded to such show cause notices and believes that the chances of any liability arising from such notices are less than probable. Accordingly, no provision is made in these consolidated financial statements as of 31 March 2016.

#### (p) Direct taxes related matters

During the year ended 31 March 2014, the Indian Income Tax authorities disallowed for tax purposes certain business transactions entered into by the parent company with its wholly-owned subsidiaries. The associated tax impact is ₹ 570. The Company believes that such business transactions are allowed for tax deduction under Indian Income Tax laws and has accordingly filed an appeal with the Income Tax Appellate Authorities. The Company further believes that the probability of succeeding in this matter is more likely than not and therefore no provision was made in respect of this matter in the Company's consolidated financial statements as of 31 March 2016.

Additionally, the Company is contesting various other disallowances by the Indian Income Tax authorities. The associated tax impact is ₹ 845. The Company believes that the chances of an unfavourable outcome in each of such disallowances are less than probable and accordingly, no provision was made in respect of these matters in the Company's consolidated financial statements as of 31 March 2016.

During the years and 31 March 2014, 2015 and 2016, Industrias Quimicas Falcon de Mexico, S.A. de CV, a wholly owned subsidiary of the Company in Mexico, received a notice from Mexican Tax Authorities with respect to disallowance on account of transfer pricing adjustments pertaining to the calendar years ended on 31 December 2006, 31 December 2007 and 31 December 2008. The associated tax impact is ₹ 663 (MXN 172.5 million). The Company disagrees with the Authorities' allegations and filed an appeal with the SAT (Mexican Tax Administration Service). The Company believes that possibility of any liability that may arise on account of this litigation is not probable and hence, no provision has been made in the consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.27 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

(q) Additionally, the Company is involved in other disputes, lawsuits, claims, governmental and/or regulatory inspections, inquiries, investigations and proceedings, including patent and commercial matters that arise from time to time in the ordinary course of business. Except as discussed above, the Company does not believe that there are any such contingent liabilities that are expected to have any material adverse effect on its financial statements.

#### (B) Commitments:

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	5,067	4,177
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### 2.28 ACCOUNTING FOR INTEREST IN A JOINT VENTURE (JV)

#### Kunshan Rotam Reddy Pharmaceuticals Company Limited ("KRRP")

The Company has 51.33% interest in KRRP, a joint venture (JV) in China. KRRP is engaged in manufacturing and marketing of active pharmaceutical ingredients and intermediates and formulations in China. The contractual arrangement between shareholders of KRRP indicates joint control as the minority shareholders, along with the Company, have significant participating rights such that they jointly control the financial and operating policies of KRRP in the ordinary course of business.

The Company has, in accordance with Accounting Standard 27 "Financial Reporting of Interests in Joint Ventures", accounted for its 51.33% interest in the JV by the proportionate consolidation method. Thus the Company's statement of profit and loss, balance sheet and cash flow statement incorporate the Company's share of income, expenses, assets, liabilities and cash flows of the JV on a line-by-line basis.

The aggregate amount of the assets, liabilities, income and expenses related to the Company's share in the JV included in these financial statements as at and for the year ended 31 March 2016 and 31 March 2015 are given below:

#### Balance Sheet (extract)

PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
Fixed assets, net	175	188
Deferred tax assets, net	-	1
Inventories	221	171
Trade receivables	361	258
Cash and bank balances	728	496
Short term loans and advances	152	152
Trade payables	241	180
Other current liabilities	305	235
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	2	4

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.28 ACCOUNTING FOR INTEREST IN A JOINT VENTURE (JV) (CONTINUED)

#### Statement of Profit and Loss

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
Income		
Sales	2,164	1,723
Other income	6	10
Expenditure		
Material costs	451	381
Employee benefits expense	500	425
Operating and other expenses	872	652
Depreciation and amortisation	21	25
Profit before taxation	326	250
Provision for taxation		
- Current tax expense	97	33
- Deferred tax expense	1	1
Profit after taxation	228	216

### 2.29 AUDITORS' REMUNERATION

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
a) Audit fees	12	12
b) Other charges		
Taxation matters*	1	1
Other matters	1	1
c) Reimbursement of out of pocket expenses	1	1
	15	15

\* Represents amount of ₹ 600 thousands (previous year: ₹ 600 thousands), rounded off in millions above.

### 2.30 RELATED PARTY DISCLOSURES

a. Related parties with whom transactions have taken place during the current and / or previous year:

NAME OF THE RELATED PARTY	NATURE OF RELATIONSHIP
• Dr. Reddy's Institute of Life Sciences	Enterprise over which whole-time directors have significant influence
• Ecologic Chemicals Limited (till 31 March 2015)	Enterprise controlled by whole-time directors
• Stamlo Hotels Limited	Enterprise controlled by whole-time directors
• Green Park Hotels and Resorts Limited	Enterprise controlled by relative of a whole-time director
• K Samrajyam	Mother of Chairman
• G Anuradha	Spouse of Chief Executive Officer
• Deepti Reddy	Spouse of Chairman
• G Mallika Reddy	Daughter of Chief Executive Officer
• G V Sanjana Reddy	Daughter of Chief Executive Officer
• Dr. Reddy's Foundation	Enterprise over which whole-time directors and their relatives have significant influence
• Pudami Educational Society	Enterprise over which whole-time directors and their relatives have significant influence

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.30 RELATED PARTY DISCLOSURES (CONTINUED)

#### b. List of Key Management Personnel\* of the Company

- K Satish Reddy (whole-time director);
- G V Prasad (whole-time director);
- Abhijit Mukherjee;
- Alok Sonig;
- Dr. Amit Biswas;
- Dr. R Ananthanarayanan (till 30 November 2014);
- Dr. Cartikeya Reddy;
- Dr. Chandrasekhar Sripada;
- Dr. Raghav Chari;
- Dr. K V S Ram Rao;
- Ganadhish Kamat (from 18 April 2016);
- M V Ramana;
- Samiran Das;
- Sandeep Poddar;
- Saumen Chakraborty; and
- Umang Vohra (till 25 September 2015).

\* In accordance with the provisions of AS 18 "Related Party Disclosures" and the Companies Act, 2013, members of the Company's Management Council and Company Secretary are considered as Key Management Personnel.

#### c. Particulars of related party transactions

The following is a summary of significant related party transactions:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
i. Purchases and services from:		
Ecologic Chemicals Limited	-	5
Dr. Reddy's Institute of Life Sciences	102	92
<b>Total</b>	<b>102</b>	<b>97</b>
ii. Contributions for social development:		
Dr. Reddy's Foundation	211	207
Pudami Educational Society	38	30
<b>Total</b>	<b>249</b>	<b>237</b>
iii. Hotel expenses paid / payable to:		
Green Park Hotel and Resorts Limited	44	32
Stamlo Hotels Private Limited	7	9
<b>Total</b>	<b>51</b>	<b>41</b>
iv. Rent paid / payable to:		
<i>Key management personnel</i>		
K Satish Reddy	15	14
<i>Relatives of key management personnel</i>		
G Anuradha	13	13
Deepti Reddy	3	3
K Samrajyam	2	2
G Mallika Reddy	2	2
G V Sanjana Reddy	2	2
<b>Total</b>	<b>22</b>	<b>22</b>
v. Remuneration to key management personnel <sup>(1)(2)</sup>	553	526

(1) The above amounts do not include stock compensation expense.

(2) In addition to the above, the Company has accrued an amount of ₹ 169 (previous year: ₹ 67) towards a long term incentive plan, for the services rendered by key management personnel during the year ended 31 March 2016. Refer to Note 2.35 for further details.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.30 RELATED PARTY DISCLOSURES (CONTINUED)

d. The Company has the following dues from / to related parties:

PARTICULARS	AS AT	AS AT
	31 MARCH 2016	31 MARCH 2015
i. Due from related parties:		
Dr. Reddy's Foundation	1	-
Rental deposit to key management personnel and their relatives	8	8
ii. Due to related parties (included in trade payables and other current liabilities):		
Dr. Reddy's Research Foundation	18	18
Green Park Hotels & Resorts Limited	.*	1
Dr. Reddy's Institute of Life Sciences	.*	3
<b>Total</b>	<b>18</b>	<b>22</b>

\* rounded off in millions above.

### 2.31 SEGMENT REPORTING

The primary and secondary reportable segments are business and geographic segments, respectively.

#### Business segments:

The Company is organised on a worldwide basis into the following businesses which are reportable segments:

- Pharmaceutical Services and Active Ingredients ("PSAI");
- Global Generics; and
- Proprietary Products.

**Pharmaceutical Services and Active Ingredients:** This segment includes active pharmaceutical ingredients and intermediates, also known as active pharmaceutical products or bulk drugs, which are the principal ingredients for finished pharmaceutical products. Active pharmaceutical ingredients and intermediates become finished pharmaceutical products when the dosages are fixed in a form ready for human consumption such as a tablet, capsule or liquid using additional inactive ingredients. This segment also includes contract research services and the manufacture and sale of active pharmaceutical ingredients and steroids in accordance with the specific customer requirements.

**Global Generics:** This segment consists of finished pharmaceutical products ready for consumption/ use by the patient, marketed under a brand name (branded formulations) or as generic finished dosages with therapeutic equivalence to branded formulations (generics). This segment includes the operations of the Company's biologics business.

**Proprietary Products:** This segment consists of the Company's differentiated formulations business, New Chemical Entities ("NCEs") business, and the dermatology focused specialty business operated through Promius™ Pharma.

**Others:** This includes the operations of the Company's wholly-owned subsidiary, Aurigene Discovery Technologies Limited, a discovery stage biotechnology company developing novel and best-in-class therapies in the fields of oncology and inflammation and which works with established pharmaceutical and biotechnology companies in early-stage collaborations, bringing drug candidates from hit generation through Investigational New Drug ("IND") filing.

#### Geographic segments:

The Company's business is organised into five key geographic segments viz. India, North America, Russia and other CIS countries, Europe and Others. Revenues are attributable to individual geographic segments based on the location of the customer.

**Segment revenues and expenses:** All segment revenues and expenses are directly attributable to the segments.

**Segment assets and liabilities:** As certain assets of the Company including manufacturing facilities, development facilities, and treasury assets and liabilities are often deployed interchangeably across business segments, it is impractical to allocate these assets and liabilities to each business segment.

**Inter-segment transfers:** Segment revenue, segment expenses and segment result include transfers between business segments. Inter-segment transfers are accounted for at cost to the transferring segment. Such transfers are eliminated on consolidation.

**Accounting policies:** The accounting policies consistently used in the preparation of the financial statements are also applied to items of revenues and expenditure in individual segments.

**Un-allocable and Head office expenses:** General administrative expenses, head-office expenses, and other expenses that arise at the corporate level and relate to the Company as a whole, are shown as un-allocable items.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.31 SEGMENT REPORTING (CONTINUED)

Segment information for the year ended 31 March 2016

PARTICULARS	PSAI	GLOBAL GENERICS	PROPRIETARY PRODUCTS	OTHERS	ELIMINATIONS	UN-ALLOCABLE ITEMS	TOTAL
External sales (Gross)	22,101	129,879	2,659	-	-	-	154,639
Inter-segment sales	5,447	-	-	-	(5,447)	-	-
Less: Excise duty on sales	(183)	(659)	-	-	-	-	(842)
<b>Segment sales</b>	<b>27,365</b>	<b>129,220</b>	<b>2,659</b>	<b>-</b>	<b>(5,447)</b>	<b>-</b>	<b>153,797</b>
Income from services	254	80	-	1,132	-	-	1,466
License fees	23	268	-	476	-	-	767
Other operating revenues	606	265	-	77	-	-	948
<b>Segment revenues</b>	<b>28,248</b>	<b>129,833</b>	<b>2,659</b>	<b>1,685</b>	<b>(5,447)</b>	<b>-</b>	<b>156,978</b>
Interest income	-	-	-	-	-	1,403	1,403
Other un-allocable income	-	-	-	-	-	1,290	1,290
<b>Total Revenues</b>							<b>159,671</b>
<b>Segment result</b>	<b>1,487</b>	<b>33,262</b>	<b>(6,340)</b>	<b>217</b>	<b>-</b>	<b>-</b>	<b>28,626</b>
Un-allocated income / (expense), net						(2,454)	(2,454)
Finance income, net						579	579
<b>Profit before taxation</b>							<b>26,751</b>
Income tax expense						(5,237)	(5,237)
<b>Profit for the year</b>							<b>21,514</b>

Segment information for the year ended 31 March 2015

PARTICULARS	PSAI	GLOBAL GENERICS	PROPRIETARY PRODUCTS	OTHERS	ELIMINATIONS	UN-ALLOCABLE ITEMS	TOTAL
External sales (Gross)	24,779	122,063	1,013	-	-	-	147,855
Inter-segment sales	6,904	-	-	-	(6,904)	-	-
Less: Excise duty on sales	(248)	(581)	-	-	-	-	(829)
<b>Segment sales</b>	<b>31,435</b>	<b>121,482</b>	<b>1,013</b>	<b>-</b>	<b>(6,904)</b>	<b>-</b>	<b>147,026</b>
Income from services	678	-	-	1,011	-	-	1,689
License fees	-	216	-	153	-	-	369
Other operating revenues	802	306	-	41	-	-	1,149
<b>Segment revenues</b>	<b>32,915</b>	<b>122,004</b>	<b>1,013</b>	<b>1,205</b>	<b>(6,904)</b>	<b>-</b>	<b>150,233</b>
Interest income	-	-	-	-	-	1,054	1,054
Other un-allocable income	-	-	-	-	-	1,687	1,687
<b>Total Revenues</b>							<b>152,974</b>
<b>Segment result</b>	<b>1,035</b>	<b>30,597</b>	<b>(5,371)</b>	<b>(18)</b>	<b>-</b>	<b>-</b>	<b>26,244</b>
Un-allocated income / (expense), net						2,780	2,780
Finance charges, net						(28)	(28)
<b>Profit before taxation</b>							<b>28,996</b>
Income tax expense						(5,632)	(5,632)
<b>Profit for the year</b>							<b>23,364</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.31 SEGMENT REPORTING (CONTINUED)

#### Analysis of depreciation and amortisation by business segments

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
PSAI	2,996	2,522
Global Generics	6,105	4,483
Proprietary Products	395	347
Others	34	115
Un-allocated	175	132
<b>Total</b>	<b>9,705</b>	<b>7,599</b>

#### Sales by geographic markets (Gross of excise duties)

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
India	22,038	19,772
North America	81,992	70,743
Russia and other CIS countries	14,176	17,713
Europe	17,489	17,800
Others	18,944	21,827
<b>Total</b>	<b>154,639</b>	<b>147,855</b>

#### Assets by geography

PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
India	126,942	110,696
North America	37,598	34,349
Russia and other CIS countries	6,447	6,519
Europe	20,206	22,140
Others	6,058	9,824
<b>Total</b>	<b>197,251</b>	<b>183,528</b>

#### Cost of tangible and intangible fixed assets (including capital work in progress) acquired by geography

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
India	19,856	8,451
North America	758	1,161
Russia and other CIS countries	155	152
Europe	1,724	5,432
Others	79	319
<b>Total</b>	<b>22,572</b>	<b>15,515</b>

### 2.32 EMPLOYEE STOCK OPTION SCHEME

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

The Company instituted the DRL 2002 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on 24 September 2001. The DRL 2002 Plan covers all employees of DRL and its subsidiaries and directors (excluding promoter directors) of DRL and its subsidiaries (collectively, "eligible employees"). Under the Scheme, the Nomination, Governance and Compensation Committee of the Board ('the Committee') shall administer the Scheme and grant stock options to eligible directors and employees of the Company and its subsidiaries. The Committee shall determine the employees eligible for receiving 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 the options issued on the date of the 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.32 EMPLOYEE STOCK OPTION SCHEME (CONTINUED)

The DRL 2002 Plan, as amended at Annual General Meetings of shareholders held on 28 July 2004 and on 27 July 2005, provides for stock option grants in two categories:

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

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

The fair market value of a share on each grant date falling under Category A above is defined as the average closing price (after adjustment of Bonus issue) for 30 days prior to the grant, in the stock exchange where there was highest trading volume during that period. Notwithstanding the foregoing, the Committee may, after getting the approval of the shareholders in the Annual General Meeting, grant options with a per share exercise price other than fair market value and par value of the equity shares.

After the issue of bonus shares by the Company in August 2006, the DRL 2002 Plan provides for stock options granted in the above two categories as follows:

PARTICULARS	NUMBER OF OPTIONS UNDER CATEGORY A	NUMBER OF OPTIONS UNDER CATEGORY B	TOTAL
Options reserved under original plan	300,000	1,995,478	2,295,478
Options exercised prior to issue of bonus shares (A)	94,061	147,793	241,854
Balance of shares that can be allotted on exercise of options (B)	205,939	1,847,685	2,053,624
Options arising from issue of bonus shares (C)	205,939	1,847,685	2,053,624
<b>Total options after bonus shares (A+B+C)</b>	<b>505,939</b>	<b>3,843,163</b>	<b>4,349,102</b>

In the case of termination of employment, all unvested options would stand cancelled. Options that have vested but have not been exercised can be exercised within the time prescribed under each option agreement by the Committee or if no time limit is prescribed, within three months of the date of employment termination, failing which they would stand cancelled.

The term of the DRL 2002 Plan was extended for a period of 10 years with effect from 29 January 2012 by the shareholders at the Company's Annual General Meeting held on 20 July 2012.

During the year ended 31 March 2016, the Company under the DRL 2002 Plan has issued 102,224 Category B options to eligible employees. The vesting period for the options granted varies from 12 to 48 months.

The date of grant, number of options granted, exercise price fixed by the Committee for respective options and the market price of the shares of the Company on the day prior to the date of grant are given below:

DATE OF GRANT	NUMBER OF OPTIONS GRANTED	EXERCISE PRICE ₹	MARKET PRICE ₹ (AS PER SEBI GUIDELINES)
11 May 2015	102,224	5.00	3,350.45

Stock option activity under the DRL 2002 Plan for the two categories of options was as follows:

#### CATEGORY A - FAIR MARKET VALUE OPTIONS

There is no stock option activity under this Category during the year 31 March 2016 and there were no options outstanding under this Category as of 31 March 2016.

CATEGORY A - FAIR MARKET VALUE OPTIONS	YEAR ENDED 31 MARCH 2015			
	PARTICULARS	SHARES ARISING OUT OF OPTIONS	RANGE OF EXERCISE PRICES	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding at the beginning of the year	10,000	₹ 448.00	₹ 448.00	44
Granted during the year	-	-	-	-
Expired / forfeited during the year	-	-	-	-
Exercised during the year	(10,000)	₹ 448.00	₹ 448.00	-
<b>Outstanding at the end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Exercisable at the end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.32 EMPLOYEE STOCK OPTION SCHEME (CONTINUED)

CATEGORY B - PAR VALUE OPTIONS	YEAR ENDED 31 MARCH 2016			
	PARTICULARS	SHARES ARISING OUT OF OPTIONS	RANGE OF EXERCISE PRICES	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding at the beginning of the year	585,454	₹ 5.00	₹ 5.00	71
Granted during the year	102,224	5.00	5.00	90
Expired / forfeited during the year	(66,319)	5.00	5.00	-
Exercised during the year	(194,011)	5.00	5.00	-
<b>Outstanding at the end of the year</b>	<b>427,348</b>	<b>₹ 5.00</b>	<b>₹ 5.00</b>	<b>72</b>
<b>Exercisable at the end of the year</b>	<b>53,801</b>	<b>₹ 5.00</b>	<b>₹ 5.00</b>	<b>42</b>

CATEGORY B - PAR VALUE OPTIONS	YEAR ENDED 31 MARCH 2015			
	PARTICULARS	SHARES ARISING OUT OF OPTIONS	RANGE OF EXERCISE PRICES	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding at the beginning of the year	641,674	₹ 5.00	₹ 5.00	78
Granted during the year	230,840	5.00	5.00	90
Expired / forfeited during the year	(59,148)	5.00	5.00	-
Exercised during the year	(227,912)	5.00	5.00	-
<b>Outstanding at the end of the year</b>	<b>585,454</b>	<b>₹ 5.00</b>	<b>₹ 5.00</b>	<b>71</b>
<b>Exercisable at the end of the year</b>	<b>43,425</b>	<b>₹ 5.00</b>	<b>₹ 5.00</b>	<b>40</b>

#### Dr. Reddy's Employees ADR Stock Option Plan-2007 ("the DRL 2007 Plan"):

The Company instituted the DRL 2007 Plan for all eligible employees in pursuance of the special resolution approved by the shareholders in the Annual General Meeting held on 27 July 2005. The DRL 2007 Plan came into effect on approval of the Board of Directors on 22 January 2007. The DRL 2007 Plan covers all employees of DRL and its subsidiaries and directors (excluding promoter directors) of DRL and its subsidiaries (collectively, "eligible employees"). Under the DRL 2007 Plan, the Nomination, Governance and Compensation Committee of the Board ("the Committee") shall administer the DRL 2007 Plan and grant stock options to eligible employees of the Company and its subsidiaries. The Committee shall determine the employees eligible for receiving 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 the 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 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.

During the year ended 31 March 2016, the Company under the DRL 2007 Plan has issued 40,184 Category B options to eligible employees. The vesting period for the options granted varies from 12 to 48 months.

The date of grant, number of options granted, exercise price fixed by the Committee for respective options and the market price of the shares of the Company on the day prior to the date of grant is given below:

DATE OF GRANT	NUMBER OF OPTIONS GRANTED	EXERCISE PRICE ₹	MARKET PRICE ₹ (AS PER SEBI GUIDELINES)
11 May 2015	40,184	5.00	3,350.45

Stock option activity under the DRL 2007 Plan was as follows:

CATEGORY B - PAR VALUE OPTIONS	YEAR ENDED 31 MARCH 2016			
	PARTICULARS	SHARES ARISING OUT OF OPTIONS	RANGE OF EXERCISE PRICES	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding at the beginning of the year	98,350	₹ 5.00	₹ 5.00	72
Granted during the year	40,184	5.00	5.00	90
Expired / forfeited during the year	(14,023)	5.00	5.00	-
Exercised during the year	(32,468)	5.00	5.00	-
<b>Outstanding at the end of the year</b>	<b>92,043</b>	<b>₹ 5.00</b>	<b>₹ 5.00</b>	<b>79</b>
<b>Exercisable at the end of the year</b>	<b>7,141</b>	<b>₹ 5.00</b>	<b>₹ 5.00</b>	<b>45</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2.32 EMPLOYEE STOCK OPTION SCHEME (CONTINUED)

CATEGORY B - PAR VALUE OPTIONS	YEAR ENDED 31 MARCH 2015			
	PARTICULARS	SHARES ARISING OUT OF OPTIONS	RANGE OF EXERCISE PRICES	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding at the beginning of the year	97,463	₹ 5.00	₹ 5.00	79
Granted during the year	45,796	5.00	5.00	90
Expired / forfeited during the year	(10,515)	5.00	5.00	-
Exercised during the year	(34,394)	5.00	5.00	-
<b>Outstanding at the end of the year</b>	<b>98,350</b>	<b>₹ 5.00</b>	<b>₹ 5.00</b>	<b>72</b>
<b>Exercisable at the end of the year</b>	<b>6,730</b>	<b>₹ 5.00</b>	<b>₹ 5.00</b>	<b>42</b>

The Company has not granted any options under Category A of "the DRL 2007 Plan".

In addition to the above, during the year ended 31 March 2015, the Company adopted a new program to grant performance linked stock options to certain employees under the DRL 2002 Plan and the DRL 2007 Plan. Under this program, performance targets are measured each year against pre-defined interim targets over the three year period ending on 31 March 2017 and eligible employees are granted stock options upon meeting such targets. The stock options so granted are ultimately vested with the employees who meet subsequent service vesting conditions which range from 1 to 4 years. After vesting, such stock options generally have a maximum contractual term of five years. The details of grants made under this program are included in the above tables under the respective plans.

Till 30 September 2015, the Company accounted for employee stock options using the intrinsic method of accounting available under Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. Effective 1 October 2015, the Company applied Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, which require the employee stock options to be accounted under the Guidance note on Accounting for Employee Share-based Payments issued by the Institute of Chartered Accountants of India (ICAI). Consequent to such change, deferred employee stock compensation account has been de-recognised to conform to the new accounting pronouncement.

The Company followed intrinsic method of accounting based on which a compensation expense of ₹ 455 (previous year: ₹ 519) was recognized in the statement of profit and loss. Had the Company used the fair value method, the compensation expense would have been ₹ 471. The differential stock compensation expense of ₹ 16 does not have any significant effect on the net results and EPS of the Company for the year ended 31 March 2016.

*Valuation of stock options under fair value method:*

The fair value of stock options granted under the DRL 2002 Plan and the DRL 2007 Plan has been measured using the Black-Scholes-Merton model at the date of the grant.

The Black-Scholes-Merton model includes assumptions regarding dividend yields, expected volatility, expected terms and risk free interest rates. In respect of par value options granted under category B, 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 granted under category A, the option life is estimated based on the simplified method. Expected volatility of the option is based on historical volatility, during a period equivalent to the option life, of the observed market prices of the Company's publicly traded equity shares. Dividend yield of the options is based on recent dividend activity. Risk-free interest rates are based on the government securities yield in effect at the time of the grant. These assumptions reflect management's best estimates, but these assumptions involve inherent market uncertainties based on market conditions generally outside of the Company's control. As a result, if other assumptions had been used in the current period, stock-based compensation expense could have been materially impacted. Further, if management uses different assumptions in future periods, stock based compensation expense could be materially impacted in future years.

The estimated fair value of stock options is charged to income on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards.

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

Expected volatility	25.98%
Exercise price	₹ 5.00
Option life	2.5 Years
Risk-free interest rate	7.87%
Expected dividends	0.60%
Grant date share price	₹ 3,359.70

Details of weighted average grant date fair values and exercise prices of options granted during the year ended 31 March 2016.

Particulars	DRL 2002 plan	DRL 2007 plan
Weighted average grant date fair value of options granted - Par value	₹ 3,350	₹ 3,465
Weighted average share price on the date of exercise of options	₹ 3,504	₹ 3,575



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.32 EMPLOYEE STOCK OPTION SCHEME (CONTINUED)

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

Name	Designation	No of options granted	
		2002 Plan	2007 Plan
Mr. Abhijit Mukherjee	Chief Operating Officer	4,500	
Mr. Saumen Chakraborty	President, Chief Financial Officer and Global Head - IT & BPE	3,000	
Mr. Umang Vohra*	Executive Vice President and Head - North America Generics	3,000	
Dr. Cartikeya Reddy	Executive Vice President and Head - Biologics	2,800	
Mr. M V Ramana	Executive Vice President and Head - Branded Markets (India & Emerging markets)	3,000	
Mr. Samiran Das	Executive Vice President and Head - Global Manufacturing Operations	2,500	
Dr. Amit Biswas	Executive Vice President and Head - Integrated Product Development	2,500	
Dr. K V S Ram Rao	Senior Vice President and Head - PSAI Commercial Organization	2,000	
Mr. Alok Sonig	Executive Vice President and Head - North America Generics	3,000	
Dr. Chandrasekhar Sripada	President and Global Head - Human Resources	2,500	
Dr. Raghav Chari	Executive Vice President and Head - Proprietary Products		3,000

\* Mr. Umang Vohra was in service till 25 September 2015.

No employee of the Company received grant of options during the year amounting to 5% or more of options granted or exceeding 1% of issued capital of the Company.

### 2.33 OPERATING LEASE

The Company has leased offices and vehicles under various operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. Total expense recognised in statement of profit and loss on account of operating leases during the year amounts to ₹ 819 (previous year: ₹ 822).

The schedule of future minimum rental payments in respect of non-cancellable operating leases is set out below:

PARTICULARS	AS AT	AS AT
	31 MARCH 2016	31 MARCH 2015
Not later than one year	396	384
Later than one year and not later than five years	1,185	1,259
Beyond five years	663	852
	<b>2,244</b>	<b>2,495</b>

During the year ended 31 March 2014, the Company entered into a non-cancellable operating lease for an office and laboratory facility in the United States of America. The future minimum rental payments in respect of this lease are ₹ 1,394 (USD 21 million) and ₹ 1,458 (USD 23 million) as at 31 March 2016 and 31 March 2015, respectively.

### 2.34 FINANCE LEASE

The Company has taken buildings, vehicles and plant and machinery under finance lease. Future minimum lease payments under finance leases as at 31 March 2016 are as follows:

PARTICULARS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS	FUTURE INTEREST	MINIMUM LEASE PAYMENTS
Not later than one year	110	106	216
Later than one year and not later than five years	272	203	475
Beyond five years	475	125	600
	<b>857</b>	<b>434</b>	<b>1,291</b>

Future minimum lease payments under finance leases as at 31 March 2015 were as follows:

PARTICULARS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS	FUTURE INTEREST	MINIMUM LEASE PAYMENTS
Not later than one year	87	117	204
Later than one year and not later than five years	263	249	512
Beyond five years	512	185	697
	<b>862</b>	<b>551</b>	<b>1,413</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.35 EMPLOYEE BENEFIT PLANS

#### 2.35.1 Gratuity Plan of Dr. Reddy's Laboratories Limited

In accordance with applicable Indian laws, the Company provides for a lump sum payment to eligible employees, at retirement or termination of employment based on the last drawn salary and years of employment with the Company. Effective 1 September 1999, the Company established the Dr. Reddy's Laboratories Gratuity Fund (the "Gratuity Fund"). Liabilities in respect of the Gratuity Plan are determined by an actuarial valuation, based upon which the Company makes contributions to the Gratuity Fund. Trustees administer the contributions made to the Gratuity Fund. Amounts contributed to the Gratuity Fund are primarily invested in Indian government bonds and corporate debt securities. A portion of the fund is also invested in Indian equities.

The following table sets out the status of the aforesaid funded gratuity plan as required under AS-15 (Revised):

#### Reconciliation of the present value of the defined benefit obligation

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
Opening defined benefit obligation	1,236	1,040
Current service cost	163	136
Interest cost	106	99
Actuarial losses / (gains)	153	45
Benefits paid	(118)	(84)
<b>Closing defined benefit obligation</b>	<b>1,540</b>	<b>1,236</b>

#### Change in the fair value of assets

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
Opening fair value of plan assets	1,157	908
Expected return on plan assets	91	80
Actuarial gains / (losses)	(17)	43
Contributions by employer	190	210
Benefits paid	(118)	(84)
<b>Closing fair value of plan assets</b>	<b>1,303</b>	<b>1,157</b>

#### Amount recognized in the balance sheet

PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
Present value of funded obligations	1,540	1,236
Fair value of plan assets	(1,303)	(1,157)
<b>Net liability</b>	<b>237</b>	<b>79</b>

#### Expense recognized in statement of profit and loss

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
Current service cost	163	136
Interest on defined benefit obligation	106	99
Expected return on plan assets	(91)	(80)
Net actuarial losses / (gains) recognised in the year	170	2
<b>Amount included in employee benefit expense</b>	<b>348</b>	<b>157</b>
Actual return on plan assets	73	123

Contributions: The Company expects to contribute ₹ 237 to the Gratuity Plan during the year ending 31 March 2017.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.35 EMPLOYEE BENEFIT PLANS (CONTINUED)

#### Asset information

CATEGORY OF ASSETS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
Government of India securities	-	-
Corporate bonds	-	-
Insurer managed funds	99%	99%
Others	1%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>

#### Summary of actuarial assumptions

PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
Discount rate	7.80% p.a.	8.00% p.a.
Expected rate of return on plan assets	7.80% p.a.	8.00% p.a.
Salary escalation rate	10% p.a. for first two years & 9% p.a. thereafter	10% p.a. for first two years & 9% p.a. thereafter

**Discount rate:** The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

**Expected rate of return on plan assets:** This is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

**Salary escalation rate:** The estimate of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

#### Amounts recognized in current year and previous four years

PARTICULARS	AS AT / FOR THE YEAR ENDED 31 MARCH				
	2016	2015	2014	2013	2012
Defined benefit obligation	1,540	1,236	1,040	875	646
Plan assets	1,303	1,157	908	707	624
Surplus / (deficit)	(237)	(79)	(132)	(168)	(22)
Experience Adjustment on Plan Liabilities	107	27	42	26	23
Experience Adjustment on Plan Assets	(17)	43	15	7	6

#### 2.35.2 Pension plan of Industrias Químicas Falcon de Mexico S.A. de C.V.

All employees of the Company's Mexican subsidiary, Industrias Químicas Falcon de Mexico S.A. de C.V. ("Falcon"), are entitled to a pension benefit in the form of a defined benefit pension plan. The Falcon pension plan provides for payment to vested employees at retirement or termination of employment. Liabilities in respect of the pension plan are determined by an actuarial valuation, based on which the Company makes contributions to the pension plan fund. This fund is administered by a third party, who is provided guidance by a technical committee formed by senior employees of Falcon.

The disclosure particulars of aforesaid pension plan as required under AS - 15 (Revised) are shown in the below tables:

#### Reconciliation of the present value of the defined benefit obligation

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
Opening defined benefit obligation	252	253
Current service cost	13	12
Interest cost	19	19
Actuarial losses / (gains)	3	37
Benefits paid	(23)	(42)
Foreign exchange differences	(15)	(27)
<b>Closing defined benefit obligation</b>	<b>249</b>	<b>252</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.35 EMPLOYEE BENEFIT PLANS (CONTINUED)

#### Change in the fair value of plan assets

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
Opening fair value of plan assets	68	110
Expected return on plan assets	7	9
Actuarial gains / (losses)	(3)	(2)
Contributions by employer	17	3
Benefits paid	(23)	(42)
Foreign exchange differences	(5)	(10)
<b>Closing fair value of plan assets</b>	<b>61</b>	<b>68</b>

#### Amount recognized in the balance sheet

PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
Present value of funded obligations	249	252
Fair value of plan assets	(61)	(68)
<b>Net liability</b>	<b>188</b>	<b>184</b>

#### Expense recognized in the statement of profit and loss

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
Current service cost	13	12
Interest on defined benefit obligation	19	19
Expected return on plan assets	(7)	(9)
Net actuarial losses / (gains) recognized in the year	6	39
<b>Amount included in employee benefit expense</b>	<b>31</b>	<b>61</b>
Actual return on plan assets	4	8

Contributions: The Company expects to contribute ₹ 38 to the pension plan during the year ending 31 March 2017.

#### Asset information

CATEGORY OF ASSETS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
Government securities	49%	49%
Equity shares of listed companies	51%	51%
<b>Total</b>	<b>100%</b>	<b>100%</b>

#### Summary of actuarial assumptions

PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
Discount rate	7.75% p.a.	7.50% p.a.
Expected rate of return on plan assets	7.75% p.a.	8.00% p.a.
Salary escalation rate	4.50% p.a.	4.50% p.a.

**Discount rate:** The discount rate is based on the market yields prevailing in Mexico as at the balance sheet date for the estimated term of the obligations.

**Expected rate of return on plan assets:** This is based on our expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

**Salary escalation rate:** The estimate of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.35 EMPLOYEE BENEFIT PLANS (CONTINUED)

Amounts recognized in current year and previous four years

PARTICULARS	AS AT / FOR THE YEAR ENDED 31 MARCH				
	2016	2015	2014	2013	2012
Defined benefit obligation	249	252	253	301	272
Plan assets	61	68	110	125	186
Surplus / (deficit)	(188)	(184)	(143)	(176)	(86)
Experience Adjustment on Plan Liabilities	3	25	(28)	29	(33)
Experience Adjustment on Plan Assets	(3)	(2)	(5)	-	(9)

#### 2.35.3 Other Benefits

##### Provident fund benefits

In India, 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 equal to 12% of the covered employee's qualifying salary. The Company has no further obligations under the plan beyond its monthly contributions. The Company contributed ₹ 574 and ₹ 492 to the provident fund plan during the year ended 31 March 2016 and 2015, respectively.

##### Superannuation benefits

In India, certain categories of employees of the Company participate in superannuation, a defined contribution plan administered by the Life Insurance Corporation of India. The Company makes annual contributions based on a specified percentage of each covered employee's salary. The Company has no further obligations under the plan beyond its annual contributions. The Company contributed ₹ 71 and ₹ 68 to the superannuation plan during the year ended 31 March 2016 and 2015, respectively.

##### Other contribution plans

In the United States, the Company sponsors a defined contribution 401(k) retirement savings plan for all eligible employees who meet minimum age and service requirements. The Company contributed ₹ 204 and ₹ 195 to the 401(k) retirement savings plan during the years ended 31 March 2016 and 2015, respectively. The Company has no further obligations under the plan beyond its annual matching contributions.

In the United Kingdom, certain social security benefits (such as pension, unemployment and disability) are funded by employers and employees through mandatory National Insurance contributions. The contribution amounts are determined based upon the employee's salary. The Company has no further obligations under the plan beyond its monthly contributions. The Company contributed ₹ 156 and ₹ 151 to the National Insurance during the years ended 31 March 2016 and 2015, respectively.

##### Compensated leave of absence

The Company provides for accumulation of compensated absences by certain categories of its employees. These employees can carry forward a portion of the unutilized compensated absences and utilize it in future periods or receive cash in lieu thereof as per Company policy. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The total liability recorded by the Company towards this benefit was ₹ 792 and ₹ 616 as at 31 March 2016 and 2015, respectively.

##### Long term incentive plan

Certain senior management employees of the Company participate in a long term incentive plan which is aimed at rewarding the individual, based on performance of such individual, their business unit/function and the Company as a whole, with significantly higher rewards for superior performances. The total liability recorded by the Company towards this plan was ₹ 881 and ₹ 323 as at 31 March 2016 and 2015, respectively.

### 2.36 HEDGES OF FOREIGN CURRENCY RISKS, INTEREST RATE RISKS AND DERIVATIVE FINANCIAL INSTRUMENTS

The Company is exposed to exchange rate risk which arises from its foreign exchange revenues and expenses, primarily in U.S. dollars, British pounds sterling, Russian roubles, Venezuelan bolivar and Euros, and foreign currency debt in U.S. dollars, Russian roubles and Euros.

The Company uses forward contracts, option contracts and swap contracts (derivatives) to mitigate its risk of changes in foreign currency exchange rates. Further, the Company also uses non-derivative financial instruments as part of its foreign currency exposure risk mitigation strategy.

In respect of all of its foreign exchange derivative contracts, the Company has recorded, as part of foreign exchange gains and losses, a net gain of ₹ 223 and a net gain of ₹ 2,235 for the years ended 31 March 2016 and 2015, respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.36 HEDGES OF FOREIGN CURRENCY RISKS, INTEREST RATE RISKS AND DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

#### Hedges of highly probable forecasted transactions

The Company classifies its derivative contracts that hedge foreign currency risk associated with highly probable forecasted transactions as cash flow hedges and measures them at fair value. The effective portion of such cash flow hedges is recorded as part of reserves and surplus within the Company's "hedging reserve", and re-classified in the statement of profit and loss as revenue in the period corresponding to the occurrence of the forecasted transactions. The ineffective portion is immediately recorded in the statement of profit and loss.

The Company also designates certain non-derivative financial liabilities, such as foreign currency borrowings from banks, as hedging instruments for the hedge of foreign currency risk associated with highly probable forecasted transactions and, accordingly, applies cash flow hedge accounting for such relationships. Re-measurement gain/loss on such non-derivative financial liabilities is recorded as part of reserves and surplus within the Company's "hedging reserve", and re-classified in the statement of profit and loss as revenue in the period corresponding to the occurrence of the forecasted transactions.

In respect of the aforesaid hedges of highly probable forecasted transactions, the Company has recorded, in reserves and surplus, a net gain of ₹ 972 and a net gain of ₹ 99 for the years ended 31 March 2016 and 2015, respectively. The Company also recorded, as part of revenue, a net loss of ₹ 1,172 and a net gain of ₹ 300 during the years ended 31 March 2016 and 2015, respectively.

The net carrying amount of the Company's "hedging reserve" in reserves and surplus before adjusting for tax impact was a loss of ₹ 839 as at 31 March 2016, as compared to a loss of ₹ 1,805 as at 31 March 2015.

The table below summarizes the periods when the forecasted cash flows associated with hedging instruments that are classified as cash flow hedges, are expected to occur:

PARTICULARS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
<b>Cash flows in U.S. Dollars (figures in equivalent rupee millions)</b>		
Not later than one month	2,816	2,969
Later than one month and not later than three months	5,300	5,625
Later than three months and not later than six months	7,123	8,594
Later than six months and not later than one year	3,975	7,188
Later than one year	-	3,438
	<b>19,214</b>	<b>27,814</b>
<b>Cash flows in Rouble (figures in equivalent rupee millions)</b>		
Not later than one month	123	27
Later than one month and not later than three months	246	54
Later than three months and not later than six months	222	81
Later than six months and not later than one year	-	161
	<b>591</b>	<b>323</b>
<b>Cash flows in Euros (figures in equivalent rupee millions)</b>		
Not later than one month	38	-
Later than one month and not later than three months	75	-
Later than three months and not later than six months	113	-
Later than six months and not later than one year	226	-
	<b>452</b>	<b>-</b>

#### Hedges of recognized assets and liabilities

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 are recognized in the statement of profit and loss. The changes in fair value of such derivative contracts as well as the foreign exchange gains and losses relating to the monetary items are recognized as part of foreign exchange gains and losses.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.36 HEDGES OF FOREIGN CURRENCY RISKS, INTEREST RATE RISKS AND DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

#### Outstanding foreign exchange derivative contracts

The following table gives details in respect of the notional amount of outstanding foreign exchange derivative contracts:

As at 31 March 2016

CATEGORY	CURRENCY	CROSS CURRENCY	AMOUNTS IN MILLIONS	BUY / SELL	PURPOSE
Forward contract	USD	INR	USD 97	Sell	Hedging
Forward contract	USD	RON	USD 8	Buy	Hedging
Forward contract	USD	RUB	USD 15	Buy	Hedging
Forward contract	EUR	USD	EUR 35.5	Sell	Hedging
Option contract	USD	INR	USD 335	Sell	Hedging
Forward contract	RUB	INR	RUB 600	Sell	Hedging
Option Contract	EUR	INR	EUR 6	Sell	Hedging

As at 31 March 2015

CATEGORY	CURRENCY	CROSS CURRENCY	AMOUNTS IN MILLIONS	BUY / SELL	PURPOSE
Forward contract	USD	INR	USD 176.9	Sell	Hedging
Option contract	USD	INR	USD 340	Sell	Hedging
Forward contract	USD	RON	USD 10	Buy	Hedging
Forward contract	USD	RUB	USD 20	Buy	Hedging
Forward contract	USD	RUB	USD 20	Sell	Hedging
Forward contract	EUR	USD	EUR 6	Buy	Hedging
Forward contract	EUR	USD	EUR 35	Sell	Hedging
Forward contract	RUB	INR	RUB 300	Sell	Hedging

#### Hedges of changes in the interest rates:

Consistent with its risk management policy, the Company uses interest rate swaps (including cross currency interest rate swaps) to mitigate the risk of changes in the interest rates. The Company does not use them for trading or speculative purposes.

The changes in fair value of such interest rate swaps (including cross currency interest rate swaps) are recognized as part of finance cost. Accordingly, the Company has recorded, as part of finance cost, a net loss of ₹ Nil and net loss of ₹ 10 for the years ended 31 March 2016 and 2015, respectively.

As at 31 March 2016, the Company did not have any outstanding interest rate swap arrangements.

#### Derivative financial instrument valuation:

The Company enters into derivative financial instruments with various counter parties, principally financial institutions and banks. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward contracts and foreign exchange option contracts. The most frequently applied valuation techniques include forward pricing, swap models and Black Scholes models (for option valuation), using present value calculations.

The Company had derivative financial assets and derivative financial liabilities of ₹ 175 and ₹ 107, respectively, as of 31 March 2016 as compared to derivative financial asset and derivative financial liabilities of ₹ 979 and ₹ 639, respectively, as of 31 March 2015 towards these derivative financial instruments.

### 2.37 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 and the Audit Committee is responsible for overseeing Company's risk assessment and management policies and processes.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.37 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### a. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the credit worthiness 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.

##### Trade 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. As at 31 March 2016 and 31 March 2015 the maximum exposure to credit risk in relation to trade receivables is ₹ 41,667 and ₹ 41,012 respectively (net of allowances).

##### Trade receivables that are neither past due nor impaired

Trade receivables amounting to ₹ 35,284 and ₹ 33,473 were neither past due nor impaired as at 31 March 2016 and 31 March 2015, respectively.

##### Trade receivables that are past due but not impaired

The Company's credit period for customers generally ranges from 20 - 180 days. The age analysis of the trade receivables has been considered from the due date of the invoice. The ageing of trade receivables that are past due, but not impaired, is given below:

PERIOD (IN DAYS)	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
0 - 90	5,160	6,232
91 - 180	577	773
More than 180	738	535
<b>Total</b>	<b>6,475</b>	<b>7,540</b>

##### Trade receivables that are impaired

The age analysis of the trade receivables that are impaired is given below:

PERIOD (IN DAYS)	AS AT 31 MARCH 2016	AS AT 31 MARCH 2015
0 - 90	-	-
91 - 180	-	-
More than 180	789	667
<b>Total</b>	<b>789</b>	<b>667</b>

##### Reconciliation of the allowance account for credit losses

The details of changes in provision for bad debts during the year ended 31 March 2016 and 31 March 2015 are as follows:

PARTICULARS	2015-16	2014-15
Balance as at 1 April	667	690
Provision made during the year	137	168
Trade receivables written off and exchange differences	(15)	(191)
<b>Balance as at 31 March</b>	<b>789</b>	<b>667</b>

#### 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 at 31 March 2016 and 2015, the Company had unutilized credit limits from banks of ₹ 14,955 and ₹ 10,619, respectively.

As at 31 March 2016, the Company had working capital (i.e. current assets less current liabilities) of ₹ 49,833 including cash and bank balances of ₹ 18,358 and current investments of ₹ 21,122. As at 31 March 2015, the Company had working capital of ₹ 50,554 including cash and bank balances of ₹ 18,724 and current investments of ₹ 21,022.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.37 FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below provides details regarding the contractual maturities of significant financial liabilities (other than obligations under finance leases which have been disclosed in Note 2.34)

As at 31 March 2016

PARTICULARS	2016-17	2017-18	2018-19	2019-20	THEREAFTER	TOTAL
Trade payables	9,309	-	-	-	-	9,309
Long term borrowings	-	1,987	7,951	-	-	9,938
Short term borrowings	22,718	-	-	-	-	22,718
Other liabilities and provisions	27,502	704	42	14	111	28,373

As at 31 March 2015

PARTICULARS	2015-16	2016-17	2017-18	2018-19	THEREAFTER	TOTAL
Trade payables	8,673	-	-	-	-	8,673
Long term borrowings	6,875	4,177	1,875	7,500	-	20,427
Short term borrowings	21,857	-	-	-	-	21,857
Other liabilities and provisions	21,433	30	29	28	-	21,520

#### 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 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, (primarily in U.S. dollars, British pounds sterling, Roubles, Venezuelan bolivars and Euros) and foreign currency borrowings (in U.S. dollars, Euros and Roubles). 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, the Company's financial performance may get adversely impacted. The exchange rate between the Indian rupee and these foreign currencies has changed substantially in recent periods and may continue to fluctuate substantially in the future. Consequently, the Company uses derivative financial instruments, such as foreign exchange forward contracts, option contracts and swap contracts to mitigate the risk of changes in foreign currency exchange rates in respect of its highly probable forecasted transactions and recognized assets and liabilities.

The details in respect of the outstanding derivative contracts are given in Note 2.36 above.

In respect of the Company's derivative contracts, a 10% decrease / increase in the respective exchange rates of each of the currencies underlying such contracts would have resulted in an approximately ₹ 1,511 / (424) increase / (decrease) in the Company's hedging reserve and an approximately ₹ 1,274 / (1,712) increase / (decrease) in the Company's net profit as at 31 March 2016. In respect of the Company's derivative contracts, a 10% decrease / increase in the respective exchange rates of each of the currencies underlying such contracts would have resulted in an approximately ₹ 1,308 / (631) increase / (decrease) in the Company's hedging reserve and an approximately ₹ 1,601 / (1,791) increase / (decrease) in the Company's net profit as at 31 March 2015.

The following table analyzes foreign currency risk from non-derivative financial instruments as at 31 March 2016:

(All figures in equivalent Rupees millions)

PARTICULARS	U.S. DOLLARS	EURO	ROUBLES	OTHERS <sup>(1)</sup>	TOTAL
<b>Assets:</b>					
Cash and bank balances	1,973	61	258	615	2,907
Trade receivables	29,747	751	4,125	1,815	36,438
Loans and advances and other assets	178	-	76	320	574
<b>Total</b>	<b>31,898</b>	<b>812</b>	<b>4,459</b>	<b>2,750</b>	<b>39,919</b>
<b>Liabilities:</b>					
Trade payables	2,001	678	-	128	2,807
Long term borrowings	9,946	-	113	-	10,059
Short term borrowings	13,846	5,768	3,104	-	22,718
Other liabilities and provisions	10,435	277	1,449	1,104	13,265
<b>Total</b>	<b>36,228</b>	<b>6,723</b>	<b>4,666</b>	<b>1,232</b>	<b>48,849</b>

<sup>(1)</sup> Others include currencies such as British pounds sterling, Swiss franc, South African rand, Mexican pesos, Venezuela bolivars, etc.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.37 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table analyzes foreign currency risk from non-derivative financial instruments as at 31 March 2015:

(All figures in equivalent Rupees millions)

PARTICULARS	U.S. DOLLARS	EURO	ROUBLES	OTHERS <sup>(1)</sup>	TOTAL
<b>Assets:</b>					
Cash and bank balances	3,575	409	249	2,462	6,695
Trade receivables	26,214	1,369	4,376	3,780	35,739
Loans and advances and other assets	92	1	61	181	335
<b>Total</b>	<b>29,881</b>	<b>1,779</b>	<b>4,686</b>	<b>6,423</b>	<b>42,769</b>
<b>Liabilities:</b>					
Trade payables	2,232	409	66	624	3,331
Long term borrowings	19,701	-	140	-	19,841
Short term borrowings	14,875	2,116	3,866	-	20,857
Other liabilities and provisions	7,809	191	1,598	870	10,468
<b>Total</b>	<b>44,617</b>	<b>2,716</b>	<b>5,670</b>	<b>1,494</b>	<b>54,497</b>

<sup>(1)</sup> Others include currencies such as British pounds sterling, Swiss franc, South African rand, Mexican pesos, Venezuela bolivars, etc.

For the year ended 31 March 2016 and 2015, every 10% depreciation / appreciation in the exchange rate between the Indian rupee and the respective currencies in the above mentioned financial assets / liabilities would affect the Company's net profit by approximately ₹ 893 and ₹ 1,173, respectively, from such financial assets / liabilities.

#### Interest rate risk

As of 31 March 2016, the Company had foreign currency loans of ₹ 29,552 carrying a floating interest rate of LIBOR minus 5 to plus 125 bps whereas as of 31 March 2015, the Company had foreign currency loans of ₹ 37,419 carrying a floating interest rate of LIBOR plus 7.5 - 130 bps. These loans expose the Company to risk of changes in interest rates. The Company's treasury department monitors the interest rate movement and manages the interest rate risk based on its policies, which include entering into interest rate swaps as considered necessary.

An increase or decrease of 10% in the floating interest rate component applicable to its loans and borrowings would affect the Company's net profit by approximately ₹ 12 and ₹ 6 for the years ended 31 March 2016 and 31 March 2015, respectively.

The Company's investments in term deposits with banks and short term liquid mutual funds are for short durations, and therefore do not expose the Company to significant interest rates 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 material derivative contracts to hedge exposure to fluctuations in commodity prices.

### 2.38 AGREEMENT WITH PIERRE FABRE

On 11 February 2014, Aurigene entered into a collaborative license, development and commercialization agreement with Pierre Fabre, the third largest French pharmaceutical company. This agreement granted Pierre Fabre global worldwide rights (excluding India) to a new immune checkpoint modulator, AUNP-12. AUNP-12 will be in development for numerous cancer indications.

Under the terms of this agreement, Aurigene received a non-refundable upfront payment from Pierre Fabre, which was deferred and recognized as revenue over the period in which Aurigene had continuing performance obligations.

During the three months ended 30 September 2015, Aurigene entered into another agreement with Pierre Fabre to transfer back to Aurigene the rights earlier out-licensed for the development and commercialization of AUNP-12. Consequent to such arrangement, Aurigene paid to Pierre Fabre a portion of the upfront consideration received and retained and recognized the remaining upfront consideration as revenue, as there are no pending performance obligations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.39 AGREEMENT WITH NOVARTIS CONSUMER HEALTH INC.

On 18 October 2014, the Company, through its wholly owned subsidiary Dr. Reddy's Laboratories SA, entered into an asset purchase agreement with Novartis Consumer Health Inc. to acquire the title and rights to its Habitrol® brand (an over-the-counter nicotine replacement therapy transdermal patch) and to market the product in the United States.

After obtaining the necessary approvals from the U.S. Federal Trade Commission, the Company completed the acquisition of Habitrol® on 17 December 2014. The total purchase consideration was ₹ 5,097 (USD 80 million).

The transaction has been recorded as an acquisition of a product related intangible asset with a useful life of 8 years. The carrying amount of the asset as at 31 March 2016 was ₹ 4,265 (previous year: ₹ 4,911).

### 2.40 COLLABORATION AGREEMENT WITH CURIS, INC.

On 18 January 2015, Aurigene Discovery Technologies Limited ("Aurigene"), a wholly owned subsidiary of the parent company, 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 18 January 2015, Curis issued to Aurigene 17.1 million 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 18 January 2017, with the shares being released from such lock-up in 25% increments on each of 18 July 2015, 18 January 2016, 18 July 2016 and 18 January 2017, subject to acceleration of release of all the shares in connection with a change of control of Curis. During the year ended 31 March 2016, lock-up restrictions were released on 8.55 million shares of common stock, representing 50% of the shares which Aurigene received from Curis. In connection with the issuance of such shares, Curis and Aurigene entered into a Registration Rights Agreement dated 18 January 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 cost of the shares of common stock on the date of the Stock Purchase Agreement was ₹ 1,452 (USD 23.5 million).

Revenues under the Collaboration Agreement consist of upfront consideration (including the shares of 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 USD 52.5 million per program, including USD 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 USD 50 million per program, including USD 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 USD 140.5 million per program, including USD 87.5 million in 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.

### 2.41 VENEZUELA OPERATIONS

Dr. Reddy's Venezuela, C.A., a wholly owned subsidiary of the Company, is primarily engaged in the import of pharmaceutical products from the parent company and other subsidiaries of the Company and the sale of such products in Venezuela. During the years ended 31 March 2016 and 2015, the Company's revenues from Venezuela were ₹ 4,666 (Venezuelan bolivar ("VEF") 457) and ₹ 8,335 (VEF 813) respectively.

In February 2015, the Venezuelan government launched an overhaul of the exchange rate system and introduced a new exchange rate mechanism. The Marginal Currency System (known as "SIMADI") is the third mechanism in the new three-tier exchange rate regime and allows for legal trading of the Venezuelan bolivar for foreign currency with fewer restrictions than other mechanisms in Venezuela (CENCOEX and SICAD).

The new second tier, SICAD, is a combination of the former second and third tiers, SICAD I and SICAD II, with an initial rate of approximately 12 VEF per USD 1.00. The first tier, the official exchange rate, is unchanged and sells dollars at 6.3 VEF per USD 1.00 for preferential goods.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.41 VENEZUELA OPERATIONS (CONTINUED)

#### Nine months ended 31 December 2015

For the nine months ended 31 December 2015, all the monetary assets and liabilities that were eligible for exchange at the CENCOEX preferential rate of 6.3 VEF per USD 1.00 and were pending for approval have been translated at such rate. The balance of the Company's Venezuelan monetary assets and liabilities, for the nine months ended 31 December 2015, which the Company believes, may not qualify for the CENCOEX preferential rate of 6.3 VEF per USD 1.00 have been translated using the SIMADI rate. Consequently, foreign exchange loss of ₹ 776 and ₹ 843 on translation of such monetary assets and liabilities at the SIMADI rate was recorded for the nine months ended 31 December 2015 and the year ended 31 March 2015, respectively.

During the nine months ended 31 December 2015, the Company received approvals for only USD 4 million from the CENCOEX for remittance towards the importation of pharmaceutical products at the CENCOEX preferential rate.

#### Update during the three months ended 31 March 2016

The economic conditions in Venezuela continued to deteriorate further during the three months ended 31 March 2016. In February 2016, the Venezuelan government announced changes to its foreign currency exchange mechanisms, including the devaluation of its official exchange rate. The following changes became effective as of 10 March 2016:

- The CENCOEX preferential rate was replaced with a new "DIPRO" rate. The DIPRO rate is only available for purchases and sales of essential items. Further, the preferential exchange rate was devalued from 6.3 VEF per USD 1.00 to 10 VEF per USD 1.00.
- The SICAD exchange rate mechanism, which last auctioned USD for approximately 13 VEF per USD 1.00, was eliminated.
- The SIMADI exchange rate mechanism was replaced with a new "DICOM" rate, which governs all transactions not subject to the DIPRO exchange rate and will fluctuate according to market supply and demand. As of 31 March 2016, the DICOM exchange rate was 272.5 VEF per USD 1.00.

The Company has not yet received approvals from the Venezuelan government to repatriate any amount at preferential rates beyond the USD 4 million already approved and received during the year ended 31 March 2016. The Company fully considered all the aforesaid developments, facts and circumstances and believes that it is appropriate to use the DICOM rate (i.e. 272.5 VEF per USD 1.00) for translating the monetary assets and liabilities of the Venezuelan subsidiary as at 31 March 2016.

Tabulated below is the impact of the foregoing on the financial statements of the Company:

PARTICULARS	AMOUNT
Foreign exchange loss on account of currency devaluation and translation of monetary assets and liabilities using SIMADI / DICOM rate	4,621
Impact of inventory write down, impairment of fixed assets and reversal of export related benefits	464
<b>Total impact</b>	<b>5,085</b>

Including the foreign exchange loss of ₹ 843 recognized during the year ended 31 March 2015, the total loss recognized on account of operations in Venezuela was ₹ 5,928.

Notwithstanding the ongoing uncertainty, the Company continues to actively engage with the Venezuelan Government and seek approval to repatriate funds at preferential rates.

### 2.42 ACQUISITION OF SELECT ESTABLISHED BRAND PORTFOLIO OF UCB

On 1 April 2015, the Company entered into a definitive agreement with UCB India Private Limited and other UCB group companies (together referred to as "UCB") to acquire a select portfolio of products business in the territories of India, Nepal, Sri Lanka and Maldives. The transaction includes approximately 350 employees engaged in operations of the acquired India business. The acquisition is expected to strengthen the Company's presence in the areas of dermatology, respiratory and pediatric products.

The total purchase consideration was ₹ 8,000. The acquisition was closed on 16 June 2015. The Company has allocated the aggregate purchase consideration as follows:

PARTICULARS	AMOUNT
Current assets	225
Tangible assets	6
Intangible assets:	
Product related intangibles	6,734
Marketing rights	743
Less: Current liabilities	(31)
<b>Net assets</b>	<b>7,677</b>
Goodwill	323
<b>Purchase consideration</b>	<b>8,000</b>

The total goodwill of ₹ 323 is attributable primarily to the acquired employee workforce, intangible assets that do not qualify for separate recognition and the expected synergies.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.43 ASSET PURCHASE AGREEMENT WITH ALCHEMIA

During November 2015, the Company entered into an asset purchase agreement with Alchemia Limited ("Alchemia") for the purchase of worldwide, exclusive intellectual property rights to fondaparinux sodium. The closing conditions for the transaction included the approval of Alchemia's shareholders which was obtained on 10 November 2015. As per the terms of the agreement, the Company paid a net consideration of ₹ 1,158 (USD 17.5 million) upon the closing of the transaction in exchange for the acquired intellectual property rights.

Prior to this asset purchase agreement, the Company had worldwide, exclusive rights from Alchemia to market fondaparinux sodium in all territories in exchange for Alchemia's right to an agreed share of the net profits generated from sales in those territories. As a result of the closing of the asset purchase agreement, Alchemia is not entitled to receive any further profit share revenues from fondaparinux sales on or after 1 July 2015.

The transaction was recorded as an acquisition of technology related intangible asset with an estimated useful life of 4 years.

### 2.44 RECEIPT OF WARNING LETTER FROM THE U.S. FDA

The Company received a warning letter dated 5 November 2015 from the U.S. FDA relating to cGMP deviations at its API manufacturing facilities at Srikakulam, Andhra Pradesh and Miryalaguda, Telangana, as well as violations at its oncology formulation manufacturing facility at Duvvada, Visakhapatnam, Andhra Pradesh previously raised in Form 483 observations following inspections of these sites by the U.S. FDA in November 2014, January 2015 and February-March 2015, respectively.

The warning letter does not restrict production or shipment of the Company's products from these facilities. However, unless and until the Company is able to correct outstanding issues to the U.S. FDA's satisfaction, the U.S. FDA may withhold approval of new products and new drug applications of the Company, refuse admission of products manufactured at the facilities noted in the warning letter into the United States, and/or take additional regulatory or legal action against the Company. Any such further action could have a material and negative impact on the Company's ongoing business and operations.

The Company submitted its response to the warning letter on 7 December 2015. Further, the Company provided updates on the progress of its corrective actions to the U.S. FDA in January 2016 and March 2016.

The Company believes that it can resolve the issues raised by the U.S. FDA satisfactorily in a timely manner. The Company takes the matters identified by U.S. FDA in the warning letter seriously, and will continue to work diligently to address the observations identified in the warning letter, and is concurrently continuing to develop and implement its corrective action plans relating to the warning letter.

### 2.45 LICENSE AGREEMENT WITH XENOPORT

On 28 March 2016, the Company and Xeno Port, Inc. ("XenoPort") entered into a license agreement pursuant to which the Company is granted exclusive U.S. rights for the development and commercialization of Xeno Port's clinical stage oral new chemical entity. The Company plans to develop the in-licensed compound as a potential treatment for moderate-to-severe chronic plaque psoriasis and for relapsing forms of multiple sclerosis.

Under the terms of the agreement, in exchange for these rights, the Company will pay a USD 47.5 million up-front payment and an additional USD 2.5 million for the transfer of certain clinical trial materials. XenoPort will also be eligible to receive up to USD 190 million upon the achievement by the Company of certain regulatory milestones, which could be achieved over a period of several years. In addition, Xeno Port will be eligible to receive up to USD 250 million upon the achievement by the Company of certain commercial milestones, and royalty payments based on the Company's net sales of the product in the United States.

The transaction is subject to satisfaction of certain customary closing conditions, including among other things the expiration or early termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), following the Company's premerger notification filing under the HSR Act with the applicable governmental authorities regarding its intention to acquire these rights. The Company is currently in the process of obtaining the approval from the relevant authorities. Accordingly, the aforesaid agreement did not have any impact on the consolidated financial statements for the year ended 31 March 2016.

### 2.46 BUY BACK OF SHARES

The Board of Directors of the Company in their meeting held on 17 February 2016 approved a proposal to buyback Equity Shares of the Company, subject to approval by the shareholders, for an aggregate amount not exceeding ₹ 15,694 (referred to as the "Maximum Buyback Size") and at a price not exceeding ₹ 3,500 per Equity Share (referred to "Maximum Buyback Price") from all shareholders of the Company (including persons who become shareholders by cancelling American Depository Shares and receiving underlying Equity Shares, and excluding the promoters and promoter group of the Company) under the open market route in accordance with the provisions contained in the Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998 and the Companies Act, 2013 and rules made thereunder. The shares bought back under this plan shall be extinguished in accordance with the provisions of the Securities and Exchange Board of India (Buy Back of Securities) Regulations, 1998 and the Companies Act, 2013 and rules made thereunder.

The Company obtained the approval of the shareholders for the buyback process on 1 April 2016 and the buyback process commenced on 18 April 2016.

As of 12 May 2016, the Company bought back 350,000 equity shares as part of the aforementioned buyback process.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.47 COMPARATIVE FIGURES

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

As per our report of even date attached

for B S R & Co. LLP

Chartered Accountants

Firm Registration No.: 101248W/W-100022

Supreet Sachdev

Partner

Membership No.: 205385

Place : Hyderabad

Date : 12 May 2016

for and on behalf of the Board of Directors of Dr. Reddy's Laboratories Limited

K Satish Reddy

G V Prasad

Saumen Chakraborty

Sandeep Poddar

Chairman

Co-Chairman & Chief Executive Officer

President & Chief Financial Officer

Company Secretary

# IFRS Consolidated Financial Statements

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## EXTRACT OF IFRS CONSOLIDATED FINANCIAL STATEMENTS

We have adopted IFRS as issued by International Accounting Standards Board (IASB) for preparing our financial statements for the purpose of filings with SEC. We have furnished all our interim financial reports of fiscal 2016 with SEC which were prepared under IFRS. The Annual Report in Form 20-F will also be made available at the Company's website. A hard copy of such Annual Report in Form 20-F will be made available to the shareholders, free of charge, upon request. For details visit [www.drreddys.com](http://www.drreddys.com).

The extract of the consolidated financial statements prepared under IFRS has been provided here under.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in Indian Rupees millions, except share data and per share data)

PARTICULARS	AS OF 31 MARCH 2016	AS OF 31 MARCH 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	4,921	5,394
Other investments	35,034	34,259
Trade and other receivables	41,306	40,755
Inventories	25,578	25,529
Derivative financial instruments	175	800
Current tax assets	1,664	1,819
Other current assets	11,010	11,282
<b>Total current assets</b>	<b>119,688</b>	<b>119,838</b>
<b>Non-current assets</b>		
Property, plant and equipment	53,961	48,090
Goodwill	3,848	3,380
Other intangible assets	20,796	13,050
Investment in equity accounted investees	1,309	1,033
Other investments - non-current	1,988	2,817
Deferred tax assets	4,997	5,792
Other non-current assets	1,063	762
<b>Total non-current assets</b>	<b>87,962</b>	<b>74,924</b>
<b>Total assets</b>	<b>207,650</b>	<b>194,762</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Trade and other payables	12,300	10,660
Derivative financial instruments	108	462
Current tax liabilities	2,581	2,506
Short-term borrowings	22,718	21,857
Long-term borrowings, current portion	110	6,962
Provisions	4,759	4,231
Other current liabilities	22,070	17,317
<b>Total current liabilities</b>	<b>64,646</b>	<b>63,995</b>
<b>Non-current liabilities</b>		
Long-term borrowings, excluding current portion	10,685	14,307
Provisions - non-current	55	53
Deferred tax liabilities	767	1,779
Other non-current liabilities	3,161	3,326
<b>Total non-current liabilities</b>	<b>14,668</b>	<b>19,465</b>
<b>Total liabilities</b>	<b>79,314</b>	<b>83,460</b>
<b>Equity</b>		
Share capital	853	852
Share premium	22,601	22,178
Share based payment reserve	1,100	1,081
Retained earnings	99,550	83,643
Other components of equity	4,232	3,548
<b>Total equity</b>	<b>128,336</b>	<b>111,302</b>
<b>Total liabilities and equity</b>	<b>207,650</b>	<b>194,762</b>

## CONSOLIDATED INCOME STATEMENT

(All amounts in Indian Rupees millions, except share data and per share data)

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015	FOR THE YEAR ENDED 31 MARCH 2014
Revenues	154,708	148,189	132,170
Cost of revenues	62,427	62,786	56,369
<b>Gross profit</b>	<b>92,281</b>	<b>85,403</b>	<b>75,801</b>
Selling, general and administrative expenses	45,702	42,585	38,783
Research and development expenses	17,834	17,449	12,402
Other (income)/expense, net	(874)	(917)	(1,416)
<b>Total operating expenses</b>	<b>62,662</b>	<b>59,117</b>	<b>49,769</b>
<b>Results from operating activities</b>	<b>29,619</b>	<b>26,286</b>	<b>26,032</b>
Finance income	2,251	2,774	1,674
Finance expense	(4,959)	(1,092)	(1,274)
<b>Finance (expense)/ income, net</b>	<b>(2,708)</b>	<b>1,682</b>	<b>400</b>
Share of profit of equity accounted investees, net of tax	229	195	174
<b>Profit before tax</b>	<b>27,140</b>	<b>28,163</b>	<b>26,606</b>
Tax expense	(7,127)	(5,984)	(5,094)
<b>Profit for the year</b>	<b>20,013</b>	<b>22,179</b>	<b>21,512</b>
<b>Attributable to:</b>			
Equity holders of the Company	20,013	22,179	21,515
Non-controlling interest	-	-	(3)
<b>Profit for the year</b>	<b>20,013</b>	<b>22,179</b>	<b>21,512</b>
<b>Earnings per share:</b>			
Basic earnings per share of ₹ 5/- each	117.34	130.22	126.52
Diluted earnings per share of ₹ 5/- each	116.98	129.75	126.04
<b>Weighted average number of equity shares used in computing earnings per equity share:</b>			
Basic	170,547,643	170,314,506	170,044,518
Diluted	171,072,780	170,933,433	170,695,017

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Indian Rupees millions, except share data and per share data)

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015	FOR THE YEAR ENDED 31 MARCH 2014
<b>Profit for the year</b>	<b>20,013</b>	<b>22,179</b>	<b>21,512</b>
<b>Other comprehensive income/(loss)</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial gains/(losses) on post-employment benefit obligations	(185)	(47)	68
Tax on items that will not be reclassified to profit or loss	64	16	(20)
<b>Total items that will not be reclassified to profit or loss</b>	<b>(121)</b>	<b>(31)</b>	<b>48</b>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Changes in fair value of available for sale financial instruments	(19)	1,429	40
Foreign currency translation adjustments	31	(196)	554
Effective portion of changes in fair value of cash flow hedges, net	966	99	(1,650)
Tax on items that may be reclassified subsequently to profit or loss	(173)	(96)	64
<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>805</b>	<b>1,236</b>	<b>(992)</b>
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b>684</b>	<b>1,205</b>	<b>(944)</b>
<b>Total comprehensive income for the year</b>	<b>20,697</b>	<b>23,384</b>	<b>20,568</b>
<b>Attributable to:</b>			
Equity holders of the Company	20,697	23,384	20,567
Non-controlling interest	-	-	1
<b>Total comprehensive income for the year</b>	<b>20,697</b>	<b>23,384</b>	<b>20,568</b>

## GLOSSARY

₹/INR	Indian Rupees
ADR	American Depository Receipt
AGM	Annual General Meeting
AIDS	Acquired Immuno Deficiency Syndrome
ANDA	Abbreviated New Drug Application
API	Active Pharmaceutical Ingredient
AS	Accounting Standards
BPE	Business Process Excellence
BR	Business Responsibility
BSE	Bombay Stock Exchange
CAGR	Compounded Annual Growth Rate
CDP	Carbon Disclosure Project
CDSL	Central Depository Services (India) Limited
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash Generating Unit
CHIP	Community Health Intervention Programme
CII	Confederation of Indian Industry
CIN	Corporate Identity Number
CIS	Commonwealth of Independent States
CMV	Cytomegalovirus
CoBE	Code of Business Conduct and Ethics
COO	Chief Operating Officer
CPS	Custom Pharmaceutical Services
COPE	Cost of Poor Execution
CSIM	Centre for Social Initiative and Management
CSR	Corporate Social Responsibility
CTO	Chemical Technical Operations
DIN	Director Identification Number
DMF	Drug Master File
DoH	Department of Health
DP	Depository Participant
DRF	Dr. Reddy's Foundation
DRFHE	Dr. Reddy's Foundation for Health and Education
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EPS	Earnings Per Share
ERM	Enterprise-wide Risk Management
ESOP	Employees Stock Option Plan
ETP	Effluent Treatment Plant
EUG	Europe Generics
FTO	Formulation Technical Operations
FY	Financial Year
GDP	Gross Domestic Product
GDR	Global Depository Receipt
GG	Global Generics
GMP	Good Manufacturing Practices
HR	Human Resources
ICAI	Institute of Chartered Accountants of India
ICC	Internal Complaints Committee
IEPF	Investor Education and Protection Fund
IFRS	International Financial Reporting Standards
IGAAP	Indian Generally Accepted Accounting Principles
IMS	IMS Health Inc.
IP	Intellectual Property
IPA	Indian Pharmaceutical Alliance
IPDO	Integrated Product Development Organisation
IPO	Initial Public Offer
IT	Information Technology
JPY	Japanese Yen
KMP	Key Managerial Personnel
LABS	Livelihood Advancement Business School
M&A	Mergers and Acquisitions
MC	Management Council
MD	Managing Director
MD&A	Management Discussion & Analysis
NAG	North America Generics
NCEs	New Chemical Entities
NDA	New Drug Application
NGO	Non-Governmental Organisation
NSDL	National Securities Depository Limited
NSE	National Stock Exchange
NYSE	New York Stock Exchange
OE	Operational Excellence
OTC	Over-the-counter
OTIF	On Time In Full
PACE	Programme to Achieve Cost and Capabilities Excellence
PAT	Profit After Tax
PBT	Profit Before Tax
POBOS	Pharma Operations Benchmarking of Solids
PP	Proprietary Products
PSAI	Pharmaceuticals Services and Active Ingredients
R&D	Research and Development
ROCE	Return on Capital Employed
RoW	Rest of World
TSDF	Transport, Storage and Disposal Facility
SEBI	Securities and Exchange Board of India
SEC	Securities and Exchange Commission
SEZ	Special Economic Zone
SG&A	Selling, General and Administrative
SHE	Safety, Health and Environment
SMP	Senior Management Personnel
SMT	Self Managed Team
SOX	Sarbanes Oxley Act, 2002
TPA	Tonnes Per Annum
UK	United Kingdom
US/USA	United States of America
USD/\$	United States Dollar
USFDA	United States Food and Drugs Administration
VEF	Venezuelan Bolivar



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 32nd Annual General Meeting (AGM) of the members of Dr. Reddy's Laboratories Limited (CIN: L85195TG1984PLC004507) will be held on Wednesday, 27 July 2016 at 9.30 AM at the Kaveri Ball Room, Hotel Trident, HITEC City, Madhapur, Hyderabad - 500 081, to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the financial statements (standalone and consolidated) of the Company for the year ended 31 March 2016, including the audited Balance Sheet as at 31 March 2016 and the Statement of Profit and Loss of the Company for the year ended on that date, along with the reports of the Board of Directors and Auditors thereon.
2. To declare dividend on the equity shares for the financial year 2015-16.
3. To re-appoint Mr. K Satish Reddy (DIN: 00129701), who retires by rotation, and being eligible, offers himself for the re-appointment.
4. To appoint statutory auditors and fix their remuneration.

"RESOLVED THAT pursuant to the provisions of Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, as may be applicable and pursuant to the recommendations of the Audit Committee, M/s. S R Batliboi & Associates LLP, Chartered Accountants (Firm Registration No. 101049W/E300004), be appointed as statutory auditors of the Company, in place of retiring auditors M/s. B S R & Co. LLP, Chartered Accountants (Firm Registration No. 101248W/W-100022), to hold office from the conclusion of this 32nd Annual General Meeting (AGM) until the conclusion of the 37th AGM, subject to ratification by members every year, as applicable, at such remuneration and out of pocket expenses, as may be decided by the Board of Directors of the Company."

### SPECIAL BUSINESS:

5. RE-APPOINTMENT OF MR. G V PRASAD (DIN: 00057433) AS WHOLE-TIME DIRECTOR DESIGNATED AS CO-CHAIRMAN, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER.

To consider and, if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 196, 197, 198 and any other applicable provisions, if any, of the Companies Act, 2013, the relevant rules made thereunder read with Schedule V of the said Act (including any statutory modifications and re-enactment thereof, for the time being in force), consent of the members of the Company be and is hereby accorded for the re-appointment of Mr. G V Prasad (DIN: 00057433) as Whole-time Director designated as Co-Chairman, Managing Director and Chief Executive Officer of the Company for a further period of five years with effect from 30 January 2016 to 29 January 2021, liable to retire by rotation, on the terms & conditions and remuneration as set out below:

(A) SALARY: Rs.10,00,000 per month

(B) PERQUISITES:

#### Category A:

1. Housing: Rent Free Accommodation or House Rent Allowance of Rs.5,00,000 per month (50% of salary)
2. Medical Reimbursement for self and family as per the rules of the Company, value not exceeding Rs.15,000 per annum.
3. Leave Travel Assistance, as per the rules of the Company and value not exceeding Rs.10,00,000 per annum.

#### Category B:

Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per the rules of the Company. These will not be included in the computation of the ceiling on perquisites or remuneration to the extent these either singly or put together are not taxable under the Income Tax Act, 1961. Gratuity shall be payable as per the rules of the Company.

Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

#### Category C:

- Car for Company's business.
- Telephone at residence and mobile phone for Company's business.

(C) COMMISSION:

In addition to the salary and perquisites, commission will also be payable up to 0.75% of the net profits of the Company calculated in the manner referred to in Section 198 of the Companies Act, 2013, as may be decided by the Board of Directors of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to vary, alter or modify the designation of Mr. G V Prasad and the terms and conditions of his appointment including remuneration and/or perquisites payable or to be provided (including any monetary value thereof) to him to the extent the Board of Directors deem fit.

RESOLVED FURTHER THAT in the event of any loss or inadequacy of profits in any financial year during his tenure, the Company shall pay Mr. G V Prasad, the remuneration by way of salary, perquisites, commission or any other allowances as specified above and in accordance with the limits specified under the Companies Act, 2013 (including any statutory modifications or re-enactments thereof, for the time being in force) or such other limits as may be prescribed by the Government from time to time in this regard, as minimum remuneration."

6. APPOINTMENT OF MR. BHARAT NAROTAM DOSHI (DIN: 00012541) AS AN INDEPENDENT DIRECTOR IN TERMS OF SECTION 149 OF THE COMPANIES ACT, 2013.

To consider and, if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 149 and 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and Companies (Appointment and Qualifications of Directors) Rules, 2014 (including any statutory

**NOTICE OF ANNUAL GENERAL MEETING** (CONTINUED)

modification(s) or re-enactment thereof, for the time being in force), Mr. Bharat Narotam Doshi (DIN: 00012541) who was appointed as an Additional Director of the Company, categorised as Independent, by the Board of Directors with effect from 11 May 2016, in terms of Section 161 of the Companies Act, 2013 and in respect of whom the Company has received notice in writing under Section 160 of the Companies Act, 2013, from a member proposing Mr. Bharat Narotam Doshi for the office of Director, be and is hereby appointed as an Independent Director of the Company with effect from 11 May 2016 to hold office up to 10 May 2021, not liable to retire by rotation."

**7. APPOINTMENT OF MR. HANS PETER HASLER (DIN: 07535056) AS AN INDEPENDENT DIRECTOR IN TERMS OF SECTION 149 OF THE COMPANIES ACT, 2013.**

To consider and, if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 149 and 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and Companies (Appointment and Qualifications of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), Mr. Hans Peter Hasler (DIN: 07535056) who was appointed as an Additional Director of the Company, categorised as Independent, by the Board of Directors with effect from 17 June 2016, in terms of Section 161 of the Companies Act, 2013 and in respect of whom the Company has received notice in writing under Section 160 of the Companies Act, 2013, from a member proposing Mr. Hans Peter Hasler for the office of Director, be and is hereby appointed as an Independent Director of the Company with effect from 17 June 2016 to hold office up to 16 June 2021, not liable to retire by rotation".

**8. REMUNERATION TO DIRECTORS OTHER THAN THE MANAGING/WHOLE-TIME DIRECTORS.**

To consider and, if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 197 and other applicable provisions, if any, of the Companies Act, 2013, Rule 4 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Regulation 17(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, consent of the members of the Company be and is hereby accorded to the Company, for payment of remuneration by way of commission to its Directors (whether existing or future) other than the Managing/Whole-time Directors, collectively up to 1% of the net profits of the Company every year, computed in the manner referred to in Section 198 of the Companies Act, 2013, in such proportion/manner as may be determined by the Board of Directors of the Company.

RESOLVED FURTHER THAT such remuneration paid to its Directors (whether existing or future) other than the Managing/Whole-time Directors will be in addition to the payment of sitting fees and reimbursement of expenses, if any, to the Directors for attending the meetings of the Board of Directors or Committees thereof".

**9. TO RATIFY THE REMUNERATION PAYABLE TO COST AUDITORS, M/S. SAGAR & ASSOCIATES, COST ACCOUNTANTS FOR THE FINANCIAL YEAR ENDING 31 MARCH 2017.**

To consider and, if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), M/s. Sagar & Associates, Cost Accountants (Firm Registration No. 000118) appointed by the Board of Directors of the Company as cost auditors for the financial year ending 31 March 2017, be paid a remuneration of Rs.7,00,000/- (Rupees Seven Lakhs) per annum plus out of pocket expenses, at actuals and applicable taxes.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to do all such acts, matters, deeds and things as may be necessary to give effect to the above resolution."

**NOTES:**

1. The statements pursuant to Section 102(1) of the Companies Act, 2013 in respect of the special business set out in the notice and Secretarial Standard on General Meetings (SS-2), wherever applicable, are annexed hereto.
2. A member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the Company. The instrument of proxy in order to be effective, must be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of meeting.  
A person can act as a proxy on behalf of not exceeding fifty members and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or member.
3. Corporate members intending to send their authorised representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
4. During the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member would be entitled to inspect the proxies lodged with the Company, at any time during the business hours of the Company, provided that not less than three days of notice in writing is given to the Company.
5. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the AGM.

**NOTICE OF ANNUAL GENERAL MEETING** (CONTINUED)

6. The Register of Contracts or Arrangements in which Directors are interested, maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
7. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, 20 July 2016 to Friday, 22 July 2016 (both days inclusive).
8. The Board of Directors of the Company at their meeting held on 12 May 2016 has recommended a dividend of Rs. 20/- per equity share of Rs. 5/- as final dividend for the financial year 2015-16. Dividend, if declared, at the AGM, will be paid on or after 1 August 2016. The dividend, if approved at the 32nd AGM, will be paid to those members whose names appear on the register of members of the Company as of the end of the day on 19 July 2016.
9. The annual report for the financial year 2015-16 has been sent through email to those members who have opted to receive electronic communication or who have registered their email addresses with the Company/depository participants. The annual report is also available on Company's website [www.drreddys.com](http://www.drreddys.com). The physical copy of the annual report has been sent to those members who have either opted for the same or have not registered their email addresses with the Company/depository participant. The members will be entitled to a physical copy of the annual report for the financial year 2015-16, free of cost, upon sending a request to the Company Secretary at 8-2-337, Road No. 3, Banjara Hills, Hyderabad - 500 034.
10. Members desiring to receive communication from the Company in electronic form, may register their email address on <http://www.drreddys.com/investors/shareholder-information.html> or with their depository participant or send their consent at [shares@drreddys.com](mailto:shares@drreddys.com) along with their folio no. and valid email address for registration.
11. Pursuant to Section 108 of the Companies Act, 2013, read with Rules 20 of the Companies (Management and Administration) Rules, 2014 as substituted by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), the Company is pleased to offer voting by electronic means to the members to cast their votes electronically on all resolutions set forth in this notice. The detailed instructions for e-voting are given as a separate attachment to this notice.
12. Members, desiring any information relating to the accounts, are requested to write to the Company at an early date for the management to keep the information ready.
13. Members are requested to kindly bring their copy of the annual report with them at the AGM, as no extra copy of annual report would be made available at the AGM. Members/proxies should also bring the attached Attendance Slip, duly filled and hand it over at the entrance to the venue.
14. The certificate from the Auditors of the Company certifying that the Company's 'Dr. Reddy's Employees Stock Option Scheme, 2002' and 'Dr. Reddy's Employees ADR Stock Option Scheme, 2007' are being implemented in accordance with the SEBI guidelines and the resolution of the members passed at the general meeting, will be available for inspection by the members at the AGM.
15. Members are requested to intimate, immediately, any change in their address or bank mandates to their depository participants with whom they are maintaining their demat accounts or to the Company's Registrar and Transfer Agent, M/s. Bigshare Services Private Limited, if the shares are held by them in physical form.
16. In terms of Schedule I of the Listing Regulations, listed companies are required to use the Reserve Bank of India's approved electronic mode of payment such as Electronic Clearance Service (ECS), LECS (Local ECS)/RECS (Regional ECS)/NECS (National ECS), National Electronic Fund Transfer (NEFT), etc. for making payments like dividend etc. to the members.  
Accordingly, members holding securities in demat mode are requested to update their bank details with their depository participants. Members holding securities in physical form may send a request updating their bank details, to the Company's Registrar and Transfer Agent, M/s. Bigshare Services Private Limited.
17. SEBI has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their depository participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN to the Company or its Registrar and Transfer Agent, M/s. Bigshare Services Private Limited.
18. Pursuant to Section 72 of the Companies Act, 2013, members are entitled to make a nomination in respect of shares held by them. Members desirous of making a nomination, pursuant to the Rule 19(1) of the Companies (Share Capital and Debentures) Rules, 2014 are requested to send their requests in Form No. SH-13, to the Registrar and Transfer Agent of the Company. Further, members desirous of cancelling/varying nomination pursuant to the Rule 19(9) of the Companies (Share Capital and Debentures) Rules, 2014, are requested to send their requests in Form No. SH-14, to the Registrar and Transfer Agent of the Company. These forms will be made available on request.
19. All documents referred to in the accompanying notice and statement pursuant to Section 102(1) of the Companies Act 2013 will be available for inspection at the Registered Office of the Company during business hours on all working days up to the date of declaration of the result of the 32nd AGM of the Company.

By Order of the Board

Place Hyderabad  
Date 17 June 2016Sandeep Poddar  
Company Secretary

## ANNEXURE TO NOTICE OF AGM

### ITEM NO. 3

This Statement is provided under Secretarial Standard on General Meetings (SS-2)

Mr. K Satish Reddy (aged 49 years) graduated in Chemical Engineering from Osmania University, India, in 1988 and went on to receive an M.S. in Medical Chemistry from Purdue University, USA, in 1990. He joined Dr. Reddy's in 1993 as Executive Director responsible for manufacturing and new product development. In 1997, he was appointed Managing Director. In the mid-90s, as the Company prepared for its global foray, Satish anchored the establishment of key systems and initiatives that positioned Dr. Reddy's for rapid expansion and helped to build its brand and corporate identity.

Mr. Reddy played an instrumental role in the Company's transition from a bulk drugs manufacturer to a global player in the branded space by spearheading Company's entry into emerging markets internationally. He is focused on translating Dr. Reddy's strategy into action to drive its growth and performance globally.

Mr. K Satish Reddy was re-appointed as Whole-time Director designated as Managing Director and Chief Operating Officer for a further period of 5 years commencing 1 October 2012. Following the demise of Dr. K Anji Reddy, he was re-designated as Vice-Chairman and Managing Director effective 30 March 2013 and has been subsequently re-designated as the Chairman of the Company effective 13 May 2014.

He is also a Director on the Boards of: Green Park Hotels and Resorts Limited, Stamlo Hotels Limited, Dr. Reddy's Holdings Limited, Araku Originals Limited, Cipro Estates Private Limited, KAR Therapeutics & Estates Private Limited, Quin Estates Private Limited, Satish Reddy Estates Private Limited, Molecular Connections Private Limited, Dr. Reddy's Trust Services Private Limited, Dr. Reddy's Research Foundation, Dr. Reddy's Institute of Life Sciences and our wholly owned subsidiaries, Aurigene Discovery Technologies Limited, Dr. Reddy's Bio-Sciences Limited and Idea2Enterprises (India) Private Limited.

He has attended all meetings of the Board held during the financial year 2015-16. He holds the membership of following Committees:

Sl. No.	Name of the Company	Name of the Committee
1	Dr. Reddy's Laboratories Limited	Corporate Social Responsibility Committee
		Stakeholders Relationship Committee
		Investment Committee
		Management Committee (Chairman)

Mr. K Satish Reddy holds 1,205,832 equity shares in the Company.

Except Mr. G V Prasad, Mr. K Satish Reddy and their relatives, none of the other Directors/Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the resolution set out at item No. 3 of the notice.

The Board recommends the resolution set forth in item No. 3 of the notice for approval of the members.

### ITEM NO. 4

Though not mandatory, this statement is provided for reference.

M/s. B S R & Co. LLP, Chartered Accountants were first appointed as auditors at 18th AGM held on 26 August 2002. In terms of their

appointment made at the 30th AGM held on 31 July 2014, they are holding office of the auditors up to the conclusion of the 32nd AGM and hence, would retire at the conclusion of the forthcoming 32nd AGM.

As per second proviso to Section 139(2) of the Companies Act, 2013 ('the Act'), a transition period of three years from the commencement of the Act is provided to appoint a new auditor when the existing auditor's firm has completed two terms of five consecutive years.

Accordingly, as per the said requirements of the Act, M/s. S R Batliboi & Associates LLP, Chartered Accountants are proposed to be appointed as auditors for a period of 5 years, commencing from the conclusion of 32nd AGM till the conclusion of the 37th AGM, subject to ratification by members every year, as may be applicable.

M/s. S R Batliboi & Associates LLP, Chartered Accountants, have consented to the said appointment and confirmed that their appointment, if made, would be within the limits specified under Section 141(3)(g) of the Act. They have further confirmed that they are not disqualified to be appointed as statutory auditors 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.

None of the Directors/Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise in the resolution set out at item No. 4 of the notice.

The Board recommends the resolution set forth in item No. 4 of the notice for approval of the members.

**Statement pursuant to Section 102(1) of the Companies Act, 2013 and under Secretarial Standard on General Meetings (SS-2) for Item Nos. 5 to 9.**

### ITEM NO. 5

Mr. G V Prasad (aged 55 years) leads the core team that drives the growth and performance at Dr. Reddy's and has contributed significantly to its transformation from a mid-sized domestic operation into a global pharmaceutical major. Mr. Prasad is widely credited as the architect of Dr. Reddy's successful Global Generics and Active Pharmaceutical Ingredient (API) strategies, as well as Company's foray into Biosimilars and Differentiated Formulations. He envisioned new business platforms and is dedicated to foster innovation in every aspect of the business. He was declared India's Best CEO in the Large Company category by Business Today in 2014, and India Business Leader of the Year by CNBC Asia in 2015.

Mr. Prasad joined Company's Board in 1986 and became Vice-Chairman and CEO in 2001, when Cheminor Drugs Limited, a company of which he was then Managing Director, merged with Dr. Reddy's. Mr. Prasad was re-appointed as Whole-time Director, designated as Vice-Chairman and CEO of the Company, at the 27th AGM of the members held on 21 July 2011, for a period of five years ending 29 January 2016. Following the demise of Dr. K Anji Reddy, he was designated as Chairman and CEO effective 30 March 2013 and has been subsequently re-designated as the Co-Chairman, Managing Director and CEO of the Company effective from 13 May 2014.

As part of the initiative to create enduring guidance for the Company, the Board of Directors of the Company, at their meeting held on 29 October 2015, had approved the re-appointment of Mr. G V Prasad



**ANNEXURE TO NOTICE OF AGM** (CONTINUED)

as Whole-time Director designated as Co-Chairman, Managing Director and CEO of the Company for a further period of five years commencing 30 January 2016 to 29 January 2021 on the terms & conditions and remuneration as set out in the resolution.

He has a Bachelor 's degree in Chemical Engineering from Illinois Institute of Technology, Chicago, United States of America, and an M.S. in Industrial Administration from Purdue University, Indiana, United States of America. He is also an active member of several associations including the National Committee on Drugs and Pharmaceuticals.

He is also a Director on the Boards of: Green Park Hotels and Resorts Limited, Stamlo Hotels Limited, Dr. Reddy's Holdings Limited, Molecular Connections Private Limited, Vijaya Productions Private Limited, Dr. Reddy's Trust Services Private Limited, Dr. Reddy's Research Foundation, Dr. Reddy's Institute of Life Sciences, International Foundation for Research and Education, Indian School of Business and Company's wholly owned subsidiaries, Aurigene Discovery Technologies Limited and Idea2Enterprises (India) Private Limited.

He has attended five out of six meetings of the Board held in FY2016. He holds the membership of following Committees:

Sl. No.	Name of the Company	Name of the Committee
1	Dr. Reddy's Laboratories Limited	Corporate Social Responsibility Committee
		Stakeholders Relationship Committee
		Investment Committee
		Management Committee
2	Aurigene Discovery Technologies Limited	Corporate Social Responsibility Committee
		Nomination and Remuneration Committee

This disclosure may also be read and treated as compliance with the requirements of Section 190 of the Companies Act, 2013.

Mr. G V Prasad holds 1,365,840 equity shares in the Company.

Except Mr. G V Prasad, Mr. K Satish Reddy and their relatives, none of the other Directors/Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the resolution set out at item No. 5 of the notice.

The Board recommends the resolution set forth in item No. 5 of the notice for approval of the members.

**ITEM NO. 6**

The Board of Directors of the Company on 11 May 2016, have appointed Mr. Bharat Narotam Doshi (DIN:00012541) as an Additional Director of the Company, categorised as Independent, in terms of Section 161 of the Companies Act, 2013. The Company has received notice in writing from a member along with the deposit of requisite amount under Section 160 of the Act, proposing the candidature of Mr. Bharat Narotam Doshi for the office of Independent Director of the Company, to be appointed as such under the provisions of Section 149 and 152 of the Companies Act, 2013.

The Company has received (i) consent in writing to act as Director in Form DIR-2 pursuant to Rule 8 of the Companies (Appointment &

Qualification of Directors) Rules, 2014; (ii) intimation in Form DIR-8 pursuant to Rule 14 of the Companies (Appointment & Qualification of Directors) Rules, 2014, from Mr. Bharat Narotam Doshi to the effect that he is not disqualified in accordance with sub-section (2) of Section 164 of the Companies Act, 2013 and (iii) declaration that he meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013.

In terms of Schedule IV of the Companies Act, 2013, the Board is of the opinion that Mr. Bharat Narotam Doshi, fulfils the conditions for his appointment as an Independent Director as specified in the Companies Act, 2013 and the Listing Regulations and is independent of the management.

A copy of the draft letter of appointment, setting out the terms and conditions of appointment of Mr. Bharat Narotam Doshi, is available for inspection, without any fee, by the members at the Company's registered office during normal hours on working days up to the date of the AGM.

Mr. Bharat Narotam Doshi (aged 67 years) is a Fellow Member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India and holds a Master's degree in Law from Bombay University. He is an alumnus of Harvard Business School (PMD) and Fellow of the Salzburg Seminar on 'Asian Economies: Regional and Global Relationships'.

Mr. Doshi is a former Executive Director and Group CFO of Mahindra & Mahindra Limited, the flagship company of the Mahindra Group. He was also the Chairman of Mahindra & Mahindra Financial Services Limited since April 2008 and he stepped down from this position on his nomination as Director on the Central Board of Directors of the Reserve Bank of India in March 2016.

Mr. Doshi is also on the Governing Board of the Mahindra United World College of India, K.C. Mahindra Education Trust and Mahindra Foundation. He is on the Board of Gateway House: Indian Council on Global Relations, a foreign policy think tank in Mumbai.

Over the last 35 years, Mr. Doshi has been actively involved with various Chambers of Commerce and Industry. He served as the President of Bombay Chamber of Commerce and Industry for the year 2009-10.

He was a member of the High Powered Expert Committee constituted by the Ministry of Finance, Government of India, on making Mumbai an International Financial Centre. He was a Member of Reserve Bank of India (RBI) constituted working group to examine a range of emerging issues pertaining to regulation of the Non-Banking Financial Companies (NBFC) sector and was also a Member of the RBI constituted Committee on Comprehensive Financial Services for Small Businesses and Low-Income Households (CCFS). He was a member of the SEBI Committee on Disclosures and Accounting Standards (SCODA). He currently serves on the Advisory Board of Excellence Enablers, an organization committed to promoting corporate governance in India.

Mr. Doshi's career achievements have earned him several awards and accolades, including being adjudged 'India's Best CFO' by Business Today, 'CFO of the Year' by IMA India in 2005 and in 2007 by CNBC and induction by 'CFO India' as a Founding Member to the CFO Hall of Fame in recognition of an exemplary career and a lifetime of contribution to the field of finance.

**ANNEXURE TO NOTICE OF AGM** (CONTINUED)

He is the Chairman of Mahindra Intertrade Limited. He is also a Director on the Board of Mahindra Holdings Limited and an Independent Director of Godrej Consumer Products Limited.

He holds the membership of following Committees:

Sl. No.	Name of the Company	Name of the Committee
1	Dr. Reddy's Laboratories Limited	Audit Committee
		Nomination, Governance and Compensation Committee
		Corporate Social Responsibility Committee
		Stakeholders Relationship Committee
		Management Committee
2	Mahindra Holdings Limited	Loans and Investments Committee Nomination and Remuneration Committee
3	Mahindra Intertrade Limited	Nomination and Remuneration Committee
4	Godrej Consumer Products Limited	Audit Committee (Chairman)
		Nomination and Remuneration Committee

Mr. Bharat Narotam Doshi holds 1,000 equity shares in the Company.

Except Mr. Bharat Narotam Doshi and his relatives, none of the other Directors/Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the resolution set out at item No. 6 of the notice.

The Board recommends the resolution set forth in item No. 6 of the notice for approval of the members.

**ITEM NO. 7**

The Board of Directors of the Company on 17 June 2016, have appointed Mr. Hans Peter Hasler (DIN:07535056) as an Additional Director of the Company, categorised as Independent, in terms of Section 161 of the Companies Act, 2013. The Company has received notice in writing from a member along with the deposit of requisite amount under Section 160 of the Act, proposing the candidature of Mr. Hans Peter Hasler for the office of Independent Director of the Company, to be appointed as such under the provisions of Section 149 and 152 of the Companies Act, 2013.

The Company has received (i) consent in writing to act as Director in Form DIR-2 pursuant to Rule 8 of the Companies (Appointment & Qualification of Directors) Rules, 2014; (ii) intimation in Form DIR-8 pursuant to Rule 14 of the Companies (Appointment & Qualification of Directors) Rules, 2014, from Mr. Hans Peter Hasler to the effect that he is not disqualified in accordance with sub-section (2) of Section 164 of the Companies Act, 2013 and (iii) declaration that he meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013.

In terms of Schedule IV of the Companies Act, 2013, the Board is of the opinion that Mr. Hans Peter Hasler, fulfils the conditions for his appointment as an Independent Director as specified in the Companies Act, 2013 and the Listing Regulations and is independent of the management.

A copy of the draft letter of appointment, setting out the terms and conditions of appointment of Mr. Hans Peter Hasler, is available

for inspection, without any fee, by the members at the Company's registered office during normal hours on working days up to the date of the AGM.

Mr. Hans Peter Hasler (aged 60 years) is the Principal of HPH Management GmbH, Küssnacht, Switzerland, the Chairman of HBM Healthcare Investments AG in Zug since June 2009 and Founder of Vicarius Pharma Limited AG, in Switzerland. He is also the Chairman of the Board of Medical Imaging Analysis Center (MIAC) of the University Hospital, Basel, a non-profit organization, since December 2012 and a Director on the Board of Patheon Inc., USA and AOP Orphan Pharmaceuticals, Austria.

Mr. Hasler holds a Federal Swiss Commercial Diploma from Canton of Bern, Switzerland (Kaufmann) and Diploma in Business Management from Swiss Institute of Business, Zurich. Mr. Hasler is an experienced Pharma and Biotech Executive and has an international track record and in-depth operational, commercial and general management expertise. He also acts as top-level advisor to the life-science industry. In his career, he has managed the growth of leading players in the pharmaceutical industry and successfully launched several blockbuster drugs.

He was the Chief Operating Officer of Biogen Idec Inc., Cambridge/USA between 2001 and mid-2009. He also spearheaded various leadership positions in an executive role including Head of Biogen's International Business.

Between 1993 and 2001, he held various positions in Wyeth such as Managing Director of Wyeth (Switzerland, Austria and Eastern Central Europe); Managing Director of Wyeth Group (Germany) and Senior Vice President of Global Marketing and Chief Marketing Officer at Wyeth's Headquarters in Philadelphia/USA.

He holds the membership of following Committees:

Sl. No.	Name of the Company	Name of the Committee
1	HBH Healthcare Investment AG	Remuneration Committee (Chairman)
2	Patheon Inc., USA	Audit Committee

Mr. Hans Peter Hasler does not hold any equity shares in the Company.

Except Mr. Hans Peter Hasler and his relatives, none of the other Directors/Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the resolution set out at item No. 7 of the notice.

The Board recommends the resolution set forth in item No. 7 of the notice for approval of the members.

**ITEM NO. 8**

With the constitution of various Committees of the Board, the increasing demand over the time of the independent and professional Directors on various matters relating to the Company and the ever changing regulatory environment, it is advisable to appropriately compensate, attract and retain professionals on the Board. Thus, it is proposed to remunerate the Directors (whether existing or future) other than Managing/Whole-time Directors based on the performance of the Company on annual basis by way of commission on the net profits, in addition to the payment of sitting fees and reimbursement of expenses, if any, for attending the meetings of the Board of Directors or Committees thereof.

The members of the Company at their 27th AGM held on 21 July



**ANNEXURE TO NOTICE OF AGM** (CONTINUED)

2011, approved the payment of remuneration by way of commission to the Directors other than the Managing/Whole-time Directors, for each of the financial years starting from financial year 2011-12 and ending with financial year 2015-16.

Except Dr. Omkar Goswami, Mr. Ravi Bhoothalingam, Mr. Anupam Puri, Ms. Kalpana Morparia, Dr. Bruce L A Carter, Dr. Ashok S Ganguly, Mr. Sridar Iyengar, Mr. Bharat Narotam Doshi, Mr. Hans Peter Hasler and their relatives, none of the other Directors/Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the resolution set out at item No. 8 of the notice.

The Board recommends the resolution set forth in item No. 8 of the notice for approval of the members.

**ITEM NO. 9**

The Board, on the recommendation of the Audit Committee, has approved the re-appointment of M/s. Sagar & Associates, Cost Accountants, as cost auditors at a remuneration of Rs. 7,00,000/- (Rupees seven lakhs) per annum plus out of pocket expenses, at actuals and applicable taxes, to conduct the audit of the cost records

of the Company for the financial year ending 31 March 2017.

In accordance with the provisions of the Section 148 of the Companies Act 2013, read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the members of the Company.

Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out at item No.9 of the notice for ratification of the remuneration payable to the Cost Auditors for the financial year ending 31 March 2017.

None of the Directors/Key Managerial Personnel of the Company and their relatives are, concerned or interested, financially or otherwise, in the resolution set out at item No. 9 of the notice.

The Board recommends the resolution set forth in item No. 9 of the notice for approval of the members.

By Order of the Board

Place Hyderabad  
Date 17 June 2016

**Sandeep Poddar**  
Company Secretary

## INSTRUCTIONS FOR E-VOTING

Dear Member,

Pursuant to provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as substituted by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of the Listing Regulations, the Company is pleased to provide e-voting facility to members to cast their vote on all resolutions set forth in the notice convening the 32nd Annual General Meeting (AGM) to be held on Wednesday, 27 July 2016 at 9.30 AM. The Company has engaged the services of National Securities Depository Limited (NSDL) to provide the remote e-voting facility. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM is termed as 'remote e-voting'.

The e-voting facility is available at the link <https://www.evoting.nsdl.com> and the E-voting Event Number (EVEN) and period of remote e-voting are set out below:

EVEN (E-VOTING EVENT NUMBER)	COMMENCEMENT OF REMOTE E-VOTING	END OF REMOTE E-VOTING
104109	23 July 2016 at 9.00 AM IST	26 July 2016 at 5.00 PM IST

Please read the instructions printed below before exercising your vote. These details and instructions form an integral part of the notice of the AGM to be held on 27 July 2016.

### STEPS FOR REMOTE E-VOTING:

- (i) Open the internet browser and type the following URL: <https://www.evoting.nsdl.com>
- (ii) Click on Shareholder - Login
- (iii) You can use your existing user ID and password for Login, if you are already registered with NSDL for e-voting.
- (iv) If you are logging in for the first time, please enter the user ID and password. This will be sent to you separately.
- (v) The Password Change Menu appears. Change to a new password of your choice, making sure that it contains a minimum of 8 digits or characters or a combination of the two. Please take utmost care to keep your password confidential.
- (vi) Once, the e-voting home page opens, click on e-voting>Active Voting Cycles.
- (vii) Select the 'EVEN' (E-voting Event Number) of 'Dr. Reddy's Laboratories Limited' (the number is provided in this document). Once you enter the number, the Cast Vote page will open. Now you are ready for e-voting.
- (viii) Cast your vote by selecting your favored option and click 'Submit'. Also click 'Confirm' when prompted. Upon confirmation, the message 'Vote cast successfully' will be displayed. Please note that once your vote is cast on the selected resolution, it cannot be modified.
- (ix) Institutional shareholders (i.e. members other than individuals, HUFs, NRIs, etc.) are required to send a scanned copy (PDF/JPG Format) of the relevant board resolution/authority letter etc. together with the attested specimen signature(s) of the duly authorized signatory(ies) who is/are authorized to vote, to the Scrutinizer's e-mail id: [dr1scrutinizer@gmail.com](mailto:dr1scrutinizer@gmail.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in).
- (x) For members whose email IDs are not registered with the Company/Depository Participant(s), the following instructions may be followed:
  - i. The user ID and initial password will be sent to you separately.
  - ii. Please follow all steps from serial no. (i) to (ix) mentioned above, in order to successfully cast your vote.

### GENERAL INSTRUCTIONS:

- a) The remote e-voting period commences on Saturday, 23 July 2016 (9.00 AM IST) and ends on Tuesday, 26 July 2016 (5.00 pm IST). During this period, members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of Wednesday, 20 July 2016, may cast their votes electronically. The remote e-voting module will be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member will not be allowed to change it subsequently or cast the vote again.
- b) Any person, who acquires shares of the Company and becomes a member of the Company after dispatch of the notice of AGM and holds shares as on the cut-off date i.e. Wednesday, 20 July 2016, may obtain user ID and password by sending a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in). However, if you are already registered with NSDL for e-voting, then you can use your existing user ID and password for casting your vote. If you forget your password, you can reset the password by using 'Forgot User Details/Password' option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
- c) The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but will not be entitled to cast their vote again.
- d) The facility for voting through electronic voting system/ballot paper will be made available at the AGM venue and the members attending the AGM, who have not cast their vote by remote e-voting will be able to exercise their right at the AGM venue through electronic voting system/ballot paper. Members who have not cast their vote electronically, by remote e-voting, may only cast their vote at the AGM through electronic voting system/ballot paper.
- e) The voting rights of members will be in proportion to the shares held by them, of the paid up equity share capital of the Company as on the cut-off date of Wednesday, 20 July 2016.
- f) Mr. G Raghu Babu, Partner of M/s. R & A Associates, Practicing Company Secretary, Hyderabad (Membership No. F4448 & Certificate of Practice No. 2820) has been appointed by the Board as the Scrutinizer to scrutinize the voting and remote e-voting process in a fair and transparent manner.

**INSTRUCTIONS FOR E-VOTING** (CONTINUED)

- g) At the AGM, at the end of discussion on the resolutions on which voting is to be held, the Chairman, with the assistance of scrutiner, will order voting through electronic means/ballot paper for all those members who are present at the AGM but have not cast their votes electronically using the remote e-voting facility.
- h) Immediately after the conclusion of voting at the AGM, the Scrutinizer will first count the votes cast at the AGM and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company. The Scrutinizer will prepare a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any, not later than three days after the conclusion of the AGM. This report shall be made to the Chairman or any other person authorized by the Chairman, who will then declare the result of the voting.
- i) The voting results declared along with the Scrutinizer's Report will be placed on the Company's website [www.drreddys.com](http://www.drreddys.com) and

on the website of NSDL immediately after the declaration of the result by the Chairman or a person authorized by the Chairman. The results will also be immediately forwarded to the BSE Ltd., National Stock Exchange of India Ltd. and the New York Stock Exchange, Inc.

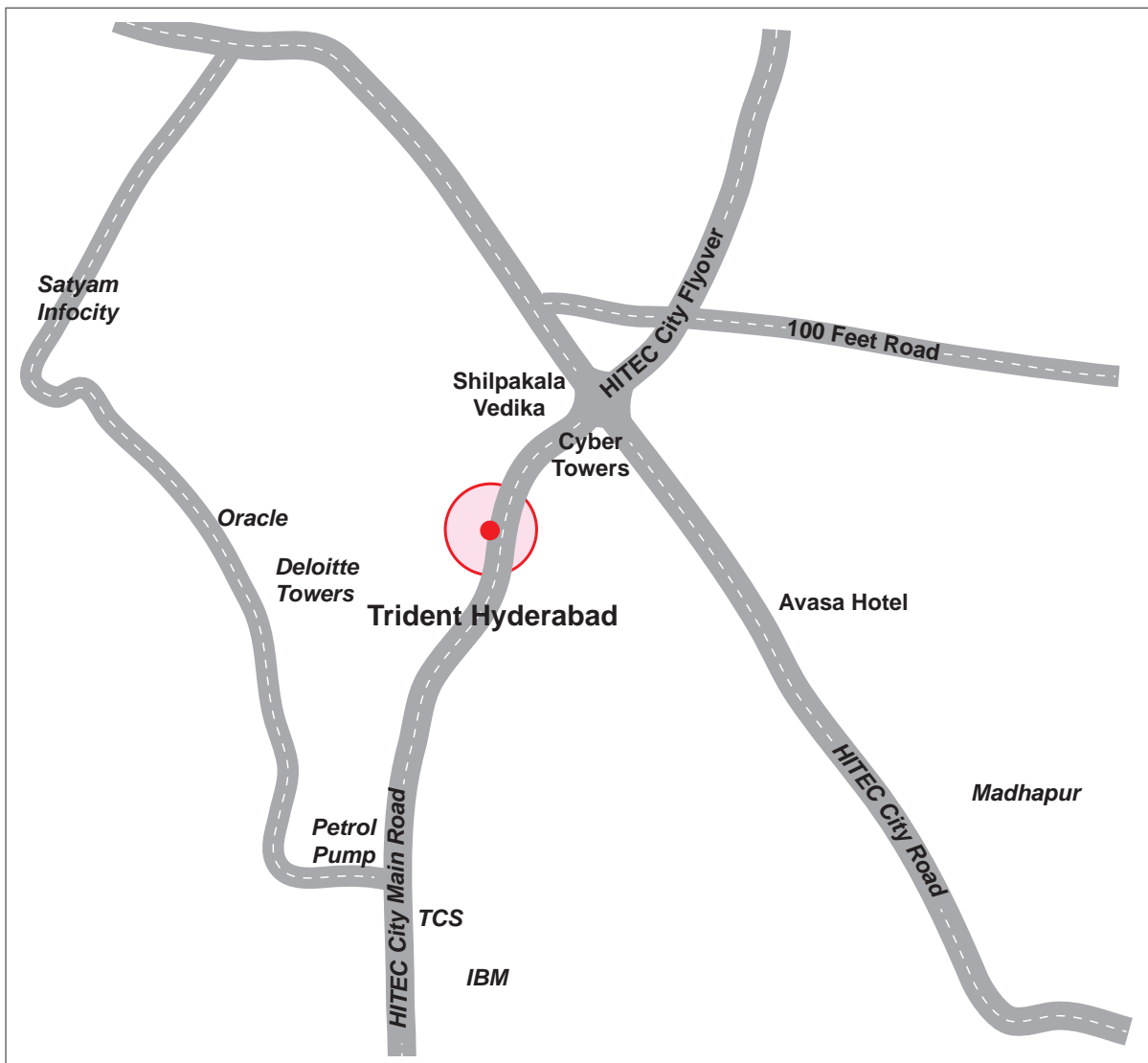
- j) In case of any queries, you may refer the Frequently Asked Questions (FAQs) and e-voting user manual, available at the Downloads section of [www.evoting.nsd.com](http://www.evoting.nsd.com) or call on toll free no.: 1800-222-990. You can also refer your queries to NSDL through email: [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in).

By Order of the Board

Place Hyderabad  
Date 17 June 2016

Sandeep Poddar  
Company Secretary

In terms of the requirements of the Secretarial Standard on General Meetings (SS-2) issued by the Institute of the Company Secretaries of India, route map for the location of the venue of the 32nd Annual General Meeting is given below:





## Dr. Reddy's Laboratories Limited

CIN: L85195TG1984PLC004507

Regd. Office: 8-2-337, Road No. 3, Banjara Hills, Hyderabad 500 034

Email: shares@drreddys.com Website: www.drreddys.com

32nd Annual General Meeting - Wednesday, 27 July 2016

### Attendance Slip

Folio No./DP ID and Client ID:

No. of Shares held:

Name and address of  
First/Sole Member:

I certify that I am a Member/Proxy/Authorised Representative for the member of the Company.

I hereby record my presence at the 32nd Annual General Meeting of the Company held on Wednesday, 27 July 2016 at 9.30 AM at the Kaveri Ball Room, Hotel Trident,HITEC City, Hyderabad - 500 081.

\_\_\_\_\_  
Name of the Member/Proxy  
(In BLOCK Letters)

\_\_\_\_\_  
Signature of the Member/Proxy

Notes:

- a) Only Member/Proxy can attend the meeting. No minors would be allowed at the meeting.
- b) Member/Proxy who wish to attend the meeting must bring this attendance slip to the meeting and hand over at the entrance duly filled in and signed.
- c) Member/Proxy should bring his/her copy of the annual report for reference at the meeting.







## Dr. Reddy's Laboratories Limited

CIN: L85195TG1984PLC004507

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32nd Annual General Meeting - Wednesday, 27 July 2016

### Proxy Form

(Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014)

Name of the Member(s): \_\_\_\_\_

Registered Address: \_\_\_\_\_

E-mail ID: \_\_\_\_\_ Folio No./Client Id: \_\_\_\_\_ DP ID: \_\_\_\_\_

I/We, being member(s) of Dr. Reddy's Laboratories Limited, holding \_\_\_\_\_ shares of the Company, hereby appoint:

1. Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 E-mail Id: \_\_\_\_\_ Signature: \_\_\_\_\_

Or failing him/her

2. Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 E-mail Id: \_\_\_\_\_ Signature: \_\_\_\_\_

Or failing him/her

3. Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 E-mail Id: \_\_\_\_\_ Signature: \_\_\_\_\_

as my/our proxy to attend and vote (on a poll/electronic voting) for me/us and on my/our behalf at the 32nd Annual General Meeting of the Company, to be held on Wednesday, 27 July 2016 at 9.30 AM. at the Kaveri Ball Room, Hotel Trident, HITEC City, Madhapur, Hyderabad - 500 081, and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution Nos.	Resolutions	Vote (see note d. below) (Please mention no. of shares)		
		For	Against	Abstain
<b>Ordinary Business</b>				
1.	To receive, consider and adopt the financial statements (standalone and consolidated) of the Company for the year ended 31 March 2016, including the audited Balance Sheet as at 31 March 2016 and the Statement of Profit and Loss of the Company for the year ended on that date, along with the reports of the Board of Directors and Auditors thereon.			
2.	To declare dividend on the equity shares for the financial year 2015-16.			
3.	To re-appoint Mr. Satish Reddy (DIN: 00129701), who retires by rotation, and being eligible, offers himself for the re-appointment.			
4.	To appoint M/s. S R Batliboi & Associates LLP, Chartered Accountants, as statutory auditors and fix their remuneration.			
<b>Special Business</b>				
5.	Re-appointment of Mr. G V Prasad (DIN: 00057433) as Whole-time Director designated as Co-Chairman, Managing Director and Chief Executive Officer.			
6.	Appointment of Mr. Bharat Narotam Doshi (DIN: 00012541) as an Independent Director in terms of Section 149 of the Companies Act, 2013.			
7.	Appointment of Mr. Hans Peter Hasler (DIN: 07535056) as an Independent Director in terms of Section 149 of the Companies Act, 2013.			
8.	Remuneration to Directors other than the Managing/Whole-time Directors.			
9.	To ratify the remuneration payable to cost auditors M/s. Sagar & Associates, Cost Accountants, for the financial year ending 31 March 2017.			

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2016

Signature of the Member \_\_\_\_\_ Signature of the Proxyholder(s) \_\_\_\_\_

Revenue  
stamp

Turn over for notes



Notes:

- a) Proxy need not be a member of the Company.
- b) The Proxy Form in order to be effective shall be duly filled in and signed by the member(s) across Revenue Stamp and should reach the Company's Registered Office: Dr. Reddy's Laboratories Limited, 8-2-337, Road No. 3, Banjara Hills, Hyderabad 500 034 atleast 48 hours before the commencement of the Annual General Meeting (i.e. Monday, 25 July 2016 before 9.30 AM).
- c) Corporate members intending to send their authorized representative(s) to attend the meeting are requested to send a certified copy of the Board resolution authorizing their representative(s) to attend and vote on their behalf at the meeting.
- d) It is optional to indicate your preference. If you leave the for, against and abstain column blank against any or all resolutions, your proxy will be entitled to vote in the manner as he/she may think appropriate.



**We have always aimed for things others perceived difficult. Whatever we take up must be tough.**

Dr. K Anji Reddy

Dr.Reddy's 



Dr. Reddy's Laboratories Ltd.  
8-2-337, Road No. 3, Banjara Hills,  
Hyderabad 500 034, India

[www.drreddys.com](http://www.drreddys.com)

