Dr.Reddy's

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July 31, 2017

To
The Secretary
BSE Ltd.
National Stock Exchange of India Ltd.

Dear Sir/Madam,

Sub: Annual Report for the financial year 2016-17

In furtherance to our letter dated July 5, 2017 and pursuant to Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, please find enclosed herewith the Annual Report for the Financial Year 2016-17. This Annual Report was adopted by the shareholders at the 33rd AGM of the Company held on July 28, 2017.

This is for your information and records.

With regards,

Sandeep Poddar
Company Secretary

Encl: as above

Dr.Reddy's

ANNUAL REPORT
2016-17

Accelerating Access to Good Health

In This Report

Our Promises

Our five promises clarify what we do, what we offer and the commitments we make to our stakeholders. 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 medicine within reach

Addressing unmet patient needs

Helping patients manage disease better

Working with partners to help them succeed

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

Chairman's & Co-Chairman's Letter

Dear Shareholder,

It is useful to start with a summary of your company's performance in FY2017.

- Consolidated revenues were at ₹ 140.8 billion, which was less by almost 9% compared to the previous year.
- Gross profit margin was at 55.6% of consolidated revenues, or four percentage points lower than what it was in FY2016.
- EBITDA was at ₹ 25.5 billion versus ₹ 36.3 billion in FY2016, and accounted for 18.1% of consolidated revenues.
- Profit before tax (PBT) was at ₹ 14.7 billion compared to ₹ 27.1 billion in the previous year.
- Profit after tax (PAT) was at ₹ 12 billion or 8.5% of revenues. It was 40% less than FY2016.

What were the reasons of this unfortunate performance? Broadly speaking, your company went through what is called a 'perfect storm' when several negative factors simultaneously came into play. Let us briefly discuss each of these.

The first was related to the US Food and Drug Administration's (USFDA's) inspections. In November 2014 and March 2015, the regulator inspected three of our plants: two chemical units that manufacture active pharmaceutical ingredients (APIs) at Srikakulam and Miryalaguda, and our formulations plant at Duvadda, near Visakhapatnam, which is an oncological sterile injectable facility with the capacity to manufacture certain complex generics. Based on their inspection, the USFDA sent a warning letter to your company in November 2015. We responded with a comprehensive plan of corrective and remedial actions along with timelines.

Based on our corrective actions, the USFDA re-inspected these three plants between February 2017 and April 2017. We have received some observations from the regulator thereafter, and have subsequently submitted a detailed response. At present, we await the USFDA's views on our latest set of responses.

There is no doubt that the remedial actions triggered by the USFDA's observations is unmistakably beneficial to Dr. Reddy's in the long run and that it has helped us to accelerate the pace of quality reforms across our plants. We have, since November 2015, significantly invested in processes, automation, detailed documentation of each batch and standard operating procedures, and have further strengthened our quality management systems. We also believe that the shift in the US regulator's approach from 'what has gone wrong' to 'what can go wrong' is for the long term good of the industry. Equally, however, the warning letter put on hold the approval of several key drugs, including high value added injectables and complex generics, to the US from the last quarter of FY2016 and throughout FY2017. This pipeline blockage affected revenues, margins and profits. Additional costs of conducting remedial work, including the use of international consultants, also reduced profits.

The second factor was the intensive growth of competition in US from several other global generics players. This was on account of two reasons: new competitors launching some of our niche and high salience drugs and dramatically pushing prices down; and the significant consolidation of our key US trade channels which gave the buyers greater pricing power than before. Moreover, a high value multi-year supply contract from our US manufacturing facility, expired during the year.

Third, there were significant delays in USFDA approvals and the consequent launch of new products in the US. These have nothing to do with the warning letters regarding our three facilities. Instead, these are on account on several additional queries raised by the USFDA – not just to us but all global pharmaceutical companies. Added to these deferrals were intellectual property litigations on some of our complex generics products.

Fourth, as an industry, we are facing government inspired pricing pressures in emerging and even the developed markets. Regulators have become ever more vigilant of price increases taken by pharmaceutical companies. In India, for FY2017, your company's revenue growth was constrained by the notified decline of prices of a large number of drugs, including your company's leading brands, in the National

We have significantly invested in processes, automation, operating procedures, to strengthen our quality management systems.

We believe that there are enormous opportunities across emerging markets, and are playing actively to increase our presence through generics and biosimilars.

We have widened our European footprint from the UK and Germany to France, Italy and Spain, we expect more significant growth from the continent in the years to come.

List of Essential Medicines (NLEM) issued by the National Pharmaceutical Pricing Authority (NPPA). Elsewhere, global firms have been subpoenaed by lawmakers over price rises. In the US, the EU, China and Japan, governments are either considering or actively implementing policies that constrain price increases. This will only increase over time as more aged people need direct and indirect healthcare support from their governments.

The fifth has to do with what was once an excellently profitable emerging market, Venezuela.

Till two years ago, your company enjoyed a sound business in providing affordable medicine to that country. However, an increasingly severe economic crisis in Venezuela has led to the government imposing severe constraints on foreign exchange outflows. Those familiar with last year's annual report will know that we took a major write-down of the net monetary assets of our Venezuelan business in FY2016. Thereafter, we have consciously chosen to limit our business to supplying consignments only against remittance of funds from Venezuela. Since such repatriations are minuscule, so too is the size of our business.

Finally, our active pharmaceutical ingredients business was also impacted due to lower off-take of some key molecules.

These six factors came together; worked contemporaneously throughout FY2017; and severely affected both revenue and profits.

What are the bright spots? And where do we go from here?

We believe that the pricing pressures in the US market will be less severe and more calibrated in FY2018. We also have an excellent pipeline of complex generics to be introduced to the country in FY2018, and expect to do better through this effective upgrade of our portfolio mix.

We also believe that there are enormous opportunities across emerging markets, and are playing actively to increase our presence in these territories through complex generics and biosimilars.

The Russian and CIS markets are on a moderate upswing. Though threats of government-induced pricing pressure remain, we are seeing greater offtake of generics – both relatively simple and complex – and oncological biosimilars, the latter through greater hospital and institutional sales. We believe that emerging markets will again get back to double-digit growth.

Despite government induced pricing pressures on pharmaceutical products, India remains a high growth market. In FY2017, revenues grew by 9% over the previous year. The first quarter of FY2018 may witness a temporary decline in the sales due to de-stocking by trade on the implementation of Goods and Services Tax (GST). Post normalisation, we expect to grow at low double-digits in FY2018 and for the foreseeable future.

Having striven to widen our European footprint from the UK and Germany to France, Italy and Spain, we expect more significant growth from the continent in the years to come.

We are particularly proud of our relatively nascent proprietary products business. The focus in FY2017 was on the commercialization of our newly launched products: Zembrace™ SymTouch™ (a 3 mg sumatriptan injection for acute migraine) and Sernivo™ (a betamethasone dipropionate 0.05% spray to treat mild-to-moderate plaque psoriasis). We shall attempt to significantly drive the growth of these products while introducing new products from our healthy pipeline.

Perhaps the most significant aspect of the top-line crunch in FY2017 is that it forced us to carefully look at all elements of costs and administrative layers – items that inexorably build up in good times and are generally only confronted in periods of stress. We have started multiple, company-wide projects to lop off costs without affecting productivity and, in doing so, recreate a leaner and more nimble global enterprise.

No chairman of a company listed in India and the US should ever make forward-looking statements. Even so, we are tempted to believe that your company's performance in FY2018 will be better than what we saw in FY2017. Let us indeed hope that it will. We have a good of complex generics offerings and proprietary product. Our biosimilar products are gaining traction. So too are our over-the-counter portfolios in Russia and the CIS, the US and India. And the API business should to do better next year. Most importantly, the management is united in putting aside the results of FY2017 and in striving for higher growth and better profitability in FY2018.

We are, therefore, cautiously optimistic of your company's performance in FY2018.

Thank you for your support.

With best regards,

K Satish Reddy
Chairman

G V Prasad
Co-Chairman & CEO

Our Businesses

GLOBAL GENERICS

- Revenue from the GG segment declined by 10% to ₹ 115.4 billion.
- Revenue from North America declined by 16% to ₹ 63.6 billion.
- Revenue from Emerging Markets declined by 11% to ₹ 21.1 billion.
- Revenue from India grew by 9% to ₹ 23.1 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 portfolio comprises affordable yet high quality versions of originator products. Our product development capabilities and commercial reach have made us one of the global leaders in this rapidly growing area. We have four products commercialized in various markets and an industry-leading development pipeline focussing on oncology and auto-immune diseases.

PHARMACEUTICAL SERVICES & ACTIVE INGREDIENTS

- Revenue from the PSAI segment marginally declined to ₹ 21.2 billion.

ACTIVE PHARMACEUTICALS INGREDIENTS
We are one of the world's largest manufacturers of Active Pharmaceuticals Ingredients (APIs) and partner with several leading generic formulator 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

- Revenue from Proprietary Products and others was ₹ 4.1 billion, decline of 3%.

PROPRIETARY PRODUCTS
Our Proprietary Products business focuses on developing differentiated formulations that present significantly enhanced benefits in terms of efficacy, ease of use and the resolution of unmet patient needs. The aim is to improve the patient's holistic experience with our medicines, so as to strengthen compliance with the therapeutic regimen and ensure positive outcomes.

MORE THAN 200 HIGH-QUALITY GENERIC DRUGS

ONE OF THE WORLD'S LARGEST MANUFACTURERS OF APIs

DIFFERENTIATED FORMULATIONS THAT PRESENT ENHANCED BENEFITS

GLOBAL PRESENCE

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

FY2017
HIGHLIGHTS

REVENUES
₹ 140.8 bn

EBITDA
₹ 25.5 bn

PROFIT AFTER TAX
₹ 12.0 bn

DILUTED EPS
₹ 72.1

FY2017
FILINGS AND LAUNCHES

GENERAL FILINGS (26 ANDA FILINGS)
As on 31 March 2017, 101 generic filings are pending for approval (99 ANDAs and two NDAs). Of these, 99 ANDAs, 62 are Para IV filings and we believe 21 to have 'First-to-File' status.

82 DMF FILINGS
9 DMFs were filed in the US. As on 31 March 2017, there were 754 cumulative DMF filings.

93 NEW PRODUCTS
93 new products were launched in FY2017, of which 10 are in NAG, 22 in Europe, 39 in Emerging Markets and 22 in India.

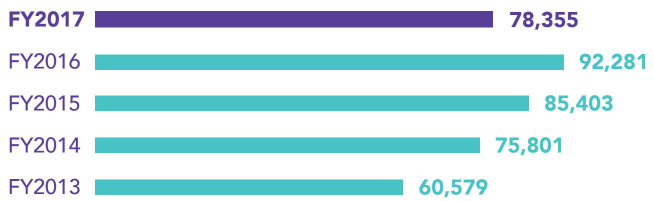
GLOBAL WORKFORCE
+22,000

COMMERCIAL PRESENCE
26 COUNTRIES

Key Performance Indicators

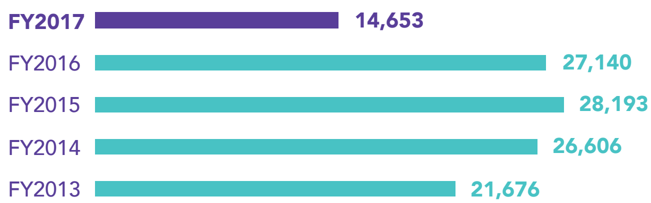
REVENUES (₹ MILLION)

GROSS PROFIT (₹ MILLION)

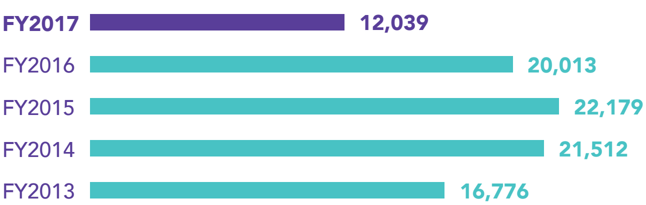


EBITDA (₹ MILLION)

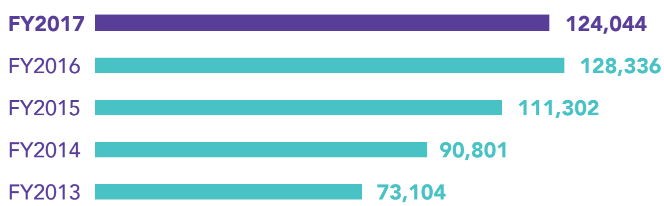
PBT (₹ MILLION)



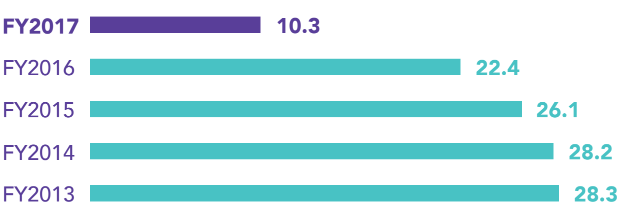
PAT (₹ MILLION)



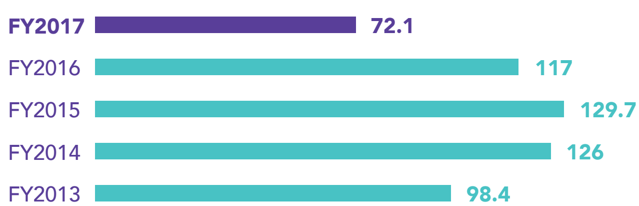
NET WORTH (₹ MILLION)



ROCE (%)



EPS (DILUTED) (₹)



Accelerating Access to Good Health

Accelerating access to affordable and innovative medicines is at the core of our work at Dr. Reddy's. The belief that Good Health Can't Wait inspires us to delve deep into understanding the needs of patients around the world and do all that it take to fulfill them.

Even as our medicines ensure good health for millions of people around the world every day, we are aware that there are millions more, in different countries, for whom high quality, affordable medicines continue to be out of reach. We realize that accelerating access to good health requires acting with alacrity on several fronts – developing products where affordable alternatives don't exist, working with all stakeholders in the healthcare systems across different countries to enable market access, manufacturing medicines of the highest quality in full adherence to the best global manufacturing practices, and ensuring their availability at all times through a robust, efficient and seamless supply chain.

We regard the good health of our patients as our responsibility and are committed to go the extra mile to ensure that they always have access to the medicines they need. In the following pages we share a few stories that illustrate our commitment to patients and our partners in the accelerated journey to good health.

Intelligent Packaging For Effective Treatment

Medicines work only when they are taken in the right dosage at the right time. And that is easier said than done. Dr. Reddy's deployed human-centred design thinking to help treatment become more effective, not just through better medicines, but through intelligent packaging.

At Dr. Reddy's, we do not see ourselves as a mere manufacturer of medicines. The concept of care and its proper delivery is as important to us as the quality of our drugs. We think beyond the molecule to ensure that we are empathetic to our patients' needs by experiencing their issues first hand.

Our Purple Health initiative was undertaken to do exactly this – improve the patients experience by identifying apparently minor issues that were a hindrance to the adherence or efficacy of a treatment.

Getting to the Heart of the Matter

We engaged with multiple stakeholders across India – patients, doctors and pharmacies in order to get insights into what might be preventing medicines from being fully effective. Our research showed that irregular and incorrect intake of medicines resulted in suboptimal outcomes. And, it was a universal phenomenon.

Patients either forgot to take their medicines on time, or were not aware of the right dosage, or found information on packs difficult to comprehend.

Our research also indicated that across the pharmaceutical industry, current packaging material and packaging practices further compounded the issue, particularly because it was the primary touch point for patients. For instance, once the blister pack was ruptured, dosage information or other key data became illegible. Or, the number of pills on a strip or the amount of syrup in a bottle were not designed for the full course of the treatment, resulting in either a shortfall or surplus of dosage.

This was a cause for concern, because irregular or incorrect medicine usage can cause unintended, but potentially serious repercussions for patients.

Designing Better Dosages

Dr. Reddy's partnered with global design and innovation consultants IDEO to find solutions to such seemingly trivial problems that had major implications. We used 'human-centred design' as our guiding principle, and recognised that a unique approach was essential to improve and regularise medicine intake by patients. Investing in an entirely different kind of R&D, we initiated a reimagined packaging scheme to drive change and motivate patients. We devised and prototyped a unique blister packaging for products such as Reclimet-XR™, Reclimet™, Bilefix™, Glimy™, Glimy M™, Metsmall™, Atocor™, Ketorol DT™ and Alfoo™.

A comprehensive solution was the final outcome of this exercise. Some of the key recommendations included:

STUB EXTENSIONS
for printing brand name, expiry date, and MRP. This ensures that critical information is available throughout the course, irrespective of the level of consumption from the pack.

A DOSING MATRIX
which allows the doctor's prescription to be recorded on the pack itself. This obviates the need to keep referring to the prescription for correct dosage information.

BI-MONTHLY DOSAGE PACKS
with 14 pills so that patients can transition from a monthly to weekly (or fortnightly) buying and consumption pattern, which is easier to adhere to.

COLOR-CODED STUBS
for different strengths so both pharmacists and patients can easily identify the right dosage.

DRIP-FREE BOTTLES
ensure that syrups don't leave sticky deposits on the sides and necks of bottles while being poured. This is both hygienic and allows the cap to be screwed on properly.

RE-DESIGNED MEASURING CUPS
which are sturdy, convenient to hold, with wider lips and slightly rounded bottoms, for easier cleaning.

While incidences of cancer are increasing at a rapid rate across the world, access to medicines that can cure the disease is not keeping pace. Dr. Reddy's established a presence in Colombia, a country with high cancer incidence to serve the market with affordable oncology products.

For Dr. Reddy's the promise of serving unmet patient needs transcends borders. Our business is driven by a strategy to identify and enter markets where affordable healthcare is a dire need, and yet existing availability is insufficient. Colombia is one such market. The South American nation has an ageing population and an increasing prevalence of cancer.

Existing channels of affordable medicines to treat the disease were simply not adequate to meet the need. This situation perfectly aligned with our promise of addressing unmet patient needs and we entered the institutional business segment, with a primary focus on oncology.

Striving for a Cancer-Free Colombia

Building a Pathway to Access

We moved swiftly. Beginning with preliminary seeding in November 2014, we completed all activities in under 2 years, for a formal launch in October 2016. This included portfolio finalisation, plant GMP approvals, approval of 5+ products, recruiting local sales and marketing teams, and setting up of operations systems such as Human Resources, Customer Relationship Management, Regulatory and Compliance.

The response from doctors, the Ministry of Health, insurance firms and pharmacists was encouraging.

An interesting statistic emerged from our experience. When affordable generics are introduced in an underserved market, the number of patients receiving quality medication goes up by 3-4 times. This is, in a sense, our greatest reward because it allows us to bring affordable treatment to patients who needed it.

This success has motivated us to bring other complex institutional products and biosimilars to Colombia, either from our own portfolio or from our strategic partners.

Building on Success

The Colombian establishment represented a significant first for us at Dr. Reddy's.

It was our maiden new market entry with a comprehensive set-up, including putting in place our own sales and marketing teams.

The operating environment - a significant size, high quality doctors, progressive regulatory regime.

The portfolio that we created, further accelerated access to good health for patients in the region.

2 Years

SET UP THE ENTIRE COLOMBIAN OPERATIONS FROM SCRATCH

3-4x

INCREASE IN NUMBER OF PERSONS RECEIVING QUALITY MEDICINES

15

NEW MARKETS IDENTIFIED FOLLOWING THE COLOMBIAN SUCCESS STORY

Crossing Barriers and Boundaries to Save a Life

At Dr. Reddy's, our business is all about helping patients lead healthier lives. The need for medicines is not a predictable one, in many cases. When an ailing patient in the US needed our help, we pulled out all stops to fulfil that need and helped save a life, significant challenges notwithstanding.

Access to good health goes beyond making and marketing medicines. It is about addressing every need with empathy and dynamism, even if it means coordinating across continents to help a single patient. Staying true to our values, and working as a team are crucial aspects of making this happen.

In 2016, Dr. Reddy's acquired 'E7777', a IL-2-diphtheria toxin-fusion protein drug meant to treat certain rare forms of skin cancer, from a Japanese firm - Eisai. Under the agreement, we had the rights to develop, manufacture and commercialise E7777 in the US and other countries (except Asia). However, this was to come in force, once the development (both Chemistry, Manufacturing and Control (CMC) and Clinical) was complete and it was approved by the regulator for the cutaneous T-cell lymphoma (CTCL) indication. The onus of getting the regulatory approval and supply for clinical trials was with Eisai.

A Call to Duty

On October 31, 2016, one of the investigators wrote in with an urgent request. She wanted the E7777 medication for one of her patients, who was in a critical stage of the disease. The only problem, the patient did not qualify to receive the drug under the on-going trial because of clinical condition. The investigator insisted that administering E7777 was necessary to control disease progression and give the patient any meaningful hope of a salvage transplant.

Eisai was in control of the drug supply of E7777 for clinical studies and agreed to support this request. However, since E7777 was now a Dr. Reddy's product, they thought it appropriate that we administer the drug for this case. Therefore, its extended use could only be administered by us.

This meant that we had to act quickly on a myriad of activities, before being able to reach the medication to the patient.

Coordinated Compassion

Before making a commitment to the concerned medical practitioner, we identified, jointly with Eisai, all the steps needed to fulfil this request.

Next, we inventoried the clinical trial material (CTM) to ensure that we had sufficient surplus vials of the product to provide a complete therapy cycle, and some additional for contingencies as well. We then requested the investigator to obtain approval from the Stanford IRB and file an emergency individual patient Investigation New Drug (IND) with the FDA, which would allow us to administer E7777 for extended use.

Our legal team, worked relentlessly to develop and execute necessary agreement between Dr. Reddy's and the organisation that the medical practitioner represented.

Finally, we roped in Catalent, the global drug delivery firm, to re-label the required number of vials and to ship them directly to the patient's location. Catelent told us that it would take 30 days to ship.

Our team was determined to make this happen, and collaborated closely with Eisai and Catalent to expedite the re-labelling and release for shipment. The shipment reached two days ahead of the deadline faced by the investigator, who dosed the patient immediately.

Saving lives is a Beautiful Experience

6 weeks later we received an update from the investigator that the patient was doing well. This is an excellent outcome considering that all other available treatment options had been exhausted.

Intent, teamwork and swift action ensured that the entire process was completed with due regulatory compliance in just two weeks from the day of request. The cohesiveness and alacrity with which all involved (and there were quite a few!) acted, is a validation of our belief, Good Health Can't Wait. It should not have to.

Across the world, there is evidence of the fact that the entry of a low-cost option of an expensive medicine provides a significant fillip to access of the medicine. This spurt in usage does not indicate an increased incidence of the disease, but rather the stark reality that people who otherwise cannot afford the medicine now can have access to treatment. Reditux™, the Dr. Reddy's brand of Rituximab has been a shining example of this over its ten year journey.

Developing and providing affordable options for expensive therapies that require deep scientific capabilities is at the core of our purpose. In 2007, Dr. Reddy's had developed 'Reditux™', the world's first biosimilar of the drug 'Rituximab'used to treat certain autoimmune diseases and types of cancer.In India, originator brand of Rituximab was launched in 2002 at a price beyond the reach of most patients suffering from Non-Hodgkin Lymphoma (NHL). Dr. Reddy's launched Reditux™ in 2007, at a price significantly lower than the originator rituximab price. Over the last 10 years, Reditux™ has helped increase patient access to Rituximab 10-fold and made its mark across the globe. .

A Decade of Impact

Increasing access in other markets

Reditux™ has benefitted over 75,000 patients spread across 17 countries.Until 2008, in Peru, despite government health insurance coverage, a significant proportion of eligible NHL patients could not get access to Rituximab because of high therapy costs. Since its launch in Peru in 2009, it is estimated that Reditux™ has helped more than 8,000 patients obtain access to rituximab therapy, helping the government save ~USD 7 million cumulatively and significantly easing the burden on the country's healthcare system.

Reditux™ was launched in Sri Lanka in 2013 and within just a year of the launch, patient's access to Rituximab has more than doubled, with almost 100% of patients diagnosed with NHL receiving Reditux™ as part of their treatment. In Vietnam, over the last four years since its launch, the usage of the drug has expanded significantly from 300 patients in 2011 to 1,530 patients in 2016. Cumulatively 2,000 patients were treated with Reditux™and an additional 670 patient could get access to Rituximab treatment by virtue of the availability of Reditux™. It has helped national health insurance to save US$ 6 mn.

Patient programmes to ensure affordability

At Dr. Reddy's being dynamic is always complimented with being empathetic. We did not stop at just being pioneers of bringing in affordability to the treatment of NHL, we also reached out to patients who still needed a helping hand and met them halfway.
In 2006 we launched Sparsh, a program designed to reach out to cancer patients with financial support, in India. Through this program, patients are provided with free doses of Reditux™ as well as other Oncology products. Oncologists are empowered to decide the extent of support to be provided to patients. Based on the oncologists' recommendation either 2 or 3 doses are provided for free in a 6 cycle chemotherapy regime enabling them to complete the treatment.

Just to illustrate, a treatment that would typically cost a patient about ₹ 1.5 – 2 lakhs could come down by more than half the amount based on the doctor's judgment. Through tie-ups with service providers, we ensure that the free doses are delivered directly to patients even in tier II and III cities. More than 15,000 patients have been provided assistance under Sparsh with a cumulative value of ₹ 60 crores, since the inception of the program.

Beyond access: Early diagnosis to manage the disease burden

Early diagnosis can lead to better outcomes for patients and significant savings in the overall cost of treatment. We are therefore investing efforts in the area of early diagnosis by through several initiatives.

We partnered with a leading diagnostic lab to provide access to interior parts of the country to improve and confirm diagnosis of Non-Hodgkin's lymphoma and thereby reduce time between diagnosis and treatment. We conduct several programs spread awareness about early warning signs of cancer by partnering with leading oncologists of the country. We partnered with the Indian Cooperative Oncology Network to focus on continuing medical education (CMEs) for doctors across India, benefiting over 17,000 GPs and other physicians till date. We have also been able to roll out an oncology training program ratified by the government for all the 336 medical colleges of India.

Board of Directors

K Satish Reddy
Chairman

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. 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.

C5 C6 C7

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

Mr. G V 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 with strengthening the company's research and development capabilities, supporting progressive people practices and building a holistic culture of operational excellence. He was listed in the prestigious 'Medicine Maker 2017 Power List' of most inspirational professionals shaping the future of drug development, and one of 'India's Greatest 50 CEOs Ever' by Outlook. 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.

C5 C6 C7

DR. REDDY'S BOARD LEVEL COMMITEES

- **Committee membership**
- **Committee chairmanship**

C1 Audit committee

C2 Nomination, governance and compensation committee

C3 Science, technology and operations committee

C4 Risk management committee

C5 Stakeholders' relationship committee

C6 Corporate social responsibility committee

C7 Banking and authorisations committee

Anupam Puri
Independent Director

Mr. Anupam Puri was associated with McKinsey & Company till 2002. He spearheaded the development of McKinsey's India practice, oversaw the Asian and Latin American offices and was an elected member of the 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.

C2 C3

Dr. Ashok S Ganguly
Independent Director

Dr. Ashok S Ganguly is 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 board of Wipro Ltd. He is a recipient of the 'Padma Bhushan' as well as '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.

C2 C3

Bharat N Doshi
Independent Director

Mr. Bharat N Doshi 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 Masters' 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'.

C1 C2 C5 C6

Board of Directors

Dr. Bruce L A Carter
Independent Director

Dr. Bruce L A Carter 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., Mirati Therapeutics Inc., Accelerator Corporation 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.

C3 C4

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 and our wholly-owned subsidiary, Dr. Reddy's Laboratories S.A., in Switzerland. 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.

C3 C4

DR. REDDY'S BOARD LEVEL COMMITEES

- **Committee membership**
- **Committee chairmanship**

C1 Audit committee

C2 Nomination, governance and compensation committee

C3 Science, technology and operations committee

C4 Risk management committee

C5 Stakeholders' relationship committee

C6 Corporate social responsibility committee

C7 Banking and authorisations committee

Kalpana Morparia
Independent Director

Ms. Kalpana Morparia 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 recognized 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 of J P Morgan Services India Private Limited. She is also a Member of the governing board of Bharati Foundation. She is a graduate in science and law from Bombay University.

C1 C2 C5

Dr. Omkar Goswami
Independent Director

Dr. Omkar Goswami is the founder and chairman of CERG Advisory Private Ltd., a consulting and advisory firm. He did his Masters in Economics from the Delhi School of Economics and his D. Phil. (Ph.D.) from Oxford University. Dr. Goswami taught and researched Economics for 18 years at reputed institutions in India and abroad. Later, he became the editor of Business India and the Chief Economist of the Confederation of Indian Industry. In FY2017, he also served as a director on the boards of CG Power and Industrial Solutions Ltd., Ambuja Cements Ltd., DSP Black Rock Investment Managers Private Ltd., Godrej Consumer Products Ltd., Bajaj Finance Ltd., Max Healthcare Institute Ltd., Hindustan Construction Company Ltd., and Infosys BPO Ltd.

C1 C4

Sridar Iyengar
Independent Director

Mr. Sridar Iyengar 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 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. 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 of the Institute of Chartered Accountants in England and Wales.

C1 C4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Management Council

1. **K Satish Reddy**
   Chairman
   Age 50 | 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 57 | B.Sc. (Chem. Eng.), M.S. (Indl. Admn.)
   Joined the company on 30 June 1990

3. **Abhijit Mukherjee**
   Chief Operating Officer
   Age 59 | B.Tech. (Chem.)
   Joined the company on 15 January 2003

4. **Alok Sonig**
   Executive Vice President and Head-North America Generics
   Age 45 | B.E., MBA
   Joined the company on 11 June 2012

5. **Dr. Amit Biswas**
   Executive Vice President and Head-Integrated Product Development
   Age 57 | B.Tech.(Chem.), Masters (Polymer Science), Ph.D.
   Joined the company on 12 July 2011

6. **Dr. Anil Namboodiripad**
   Senior Vice President and Head, Proprietary Products
   Age 51 | Ph.D. Physiology and Molecular Biophysics
   Joined the Company on 9 September 2007

7. **Dr. Cartikeya Reddy**
   Executive Vice President and Head-Biologics
   Age 47 | B.Tech., M.S., Ph.D.
   Joined the company on 20 July 2004

8. **Ganadhish Kamat**
   Executive Vice President and Global Head-Quality
   Age 54 | M.Pharm., Diploma in Business Management
   Joined the company on 18 April 2016

9. **J Ramachandran**
   Executive Vice President-Management Systems and Corporate Initiatives
   Age 53 | Masters in Technology
   Joined the company on 15 September 2016

10. **Dr. K V S Ram Rao**
    Sr. Vice President and Business Head-PSAI Commercial Organisation
    Age 54 | B.Tech., M.E., Ph.D. (Chem. Engg.)
    Joined the company on 3 April 2000

11. **M V Ramana**
    Executive Vice President and Head-Branded Markets (India & Emerging Countries)
    Age 49 | MBA
    Joined the company on 15 October 1992

12. **Dr. S Chandrasekhar**
    President and Global Head-Human Resources
    Age 60 | MBA, Ph.D.
    Joined the company on 12 August 2013

13. **Samiran Das**
    Executive Vice President and Head-Global Manufacturing Operations
    Age 57 | B.Tech. (Mech.)
    Joined the company on 15 June 2011

14. **Saumen Chakraborty**
    President, Chief Financial Officer and Global Head-IT & BPE
    Age 56 | B.Sc.(H), MBA
    Joined the company on 2 July 2001

BUSINESS RESPONSIBILITY REPORT

At Dr. Reddy's we remain resilient to the needs of patients while creating healthy ecosystems and strong communities. Our stakeholders have ethical, social and environmental expectations from the organization that extend beyond financial goals and legal requirements. Therefore, we engage with them consistently to nurture trust and ensure business sustainability.

DISCLOSURES ON THE NINE PRINCIPLES AS CHARTED BY THE MINISTRY OF CORPORATE AFFAIRS IN THE 'NATIONAL VOLUNTARY GUIDELINES (NVGs) 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 SUSTAINABITITY

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 Limited.

REGISTERED ADDRESS

8-2-337, Road No. 3, Banjara Hills, Hyderabad 500 034, Telangana, India

WEBSITE

www.drreddys.com

EMAIL-ID

shares@drreddys.com

FINANCIAL YEAR REPORTED

April 2016 to March 2017

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, Metoprolol and Omeprazole

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.

(A) Number of international locations (Provide details of major 5)

We have manufacturing facilities in Tennessee, New York, Louisiana (USA), Mirfield (UK) and Mexico, one R&D centre in Princeton (USA) and three development centres in Princeton (USA), Cambridge (UK) and Leiden (The Netherlands).
Refer page 74

(B) Number of national locations

18 manufacturing units, 4 R&D units, 2 technology development centres.
Refer page 73

MARKETS SERVED BY THE COMPANY – LOCAL/STATE/NATIONAL/ INTERNATIONAL

Our major markets include United States of America (USA), India, Russia and CIS regions and Europe.

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 (₹):

829 million (as on 31 March 2017)

TOTAL TURNOVER (STANDALONE) (₹):

103,110 million (as on 31 March 2017)

TOTAL PROFIT AFTER TAX (STANDALONE) (₹):

13,841 million (as on 31 March 2017)

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

3.08%

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

Refer to principle 8 on page 31.

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?

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/pdf/supplier_codeofconduct.pdf

SECTION D:

(A) DETAILS OF THE DIRECTOR RESPONSIBLE FOR IMPLEMENTATION OF THE BR 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
Email-ID: alokm@drreddys.com
DIN: Not applicable

(C) INDICATE THE FREQUENCY WITH WHICH THE BOARD OF DIRECTORS, COMMITTEE OF THE BOARD OR CEO MEETS TO ASSESS THE BR PERFORMANCE OF THE COMPANY.

3 – 6 months

(D) DOES THE COMPANY PUBLISH A BR OR A SUSTAINABILITY REPORT? WHAT IS THE HYPERLINK FOR VIEWING THIS REPORT? HOW FREQUENTLY IT IS 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. The BR can be viewed as part of the annual report. They are published annually.

3.08%

Total spending on CSR as a percentage of profit after tax of FY2017

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	Not applicable	Yes	Yes
2	Has the policy been 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 laws 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 been 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 and/or appropriately authorized.	Statutory policies are placed before the board for consideration and approval. All other policies are approved by CEO/MD.	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 CEO/MD.	Policies in India are approved by CHRO and international policies by COO. The MC and relevant stakeholders are consulted.	Yes		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 for 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 for the implementation policies and their review primarily lies with the respective business/function head.	NA	Yes		Yes	The responsibility for 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?	www.drreddys.com/ investors/governance/ code-of-business-conduct- and-ethics-cobe.aspx	www.drreddys.com/ media/123467/she_policy. pdf	NA	www.drreddys.com/ media/123467/she_policy. pdf	www.drreddys.com/ investors/governance/ code-of-business-conduct- and-ethics-cobe.aspx	www.drreddys.com/ media/123467/she_policy. pdf		www.drreddys.com/ media/125014/csr-policy. html	www.drreddys.com/ media/123467/she_policy. pdf

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's 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's website.	Yes	Yes	Not applicable	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's 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
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 policy 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 policy to address all concerns related to company-level policies.	Yes	Yes		NA	We also have a dedicated ombudsperson policy 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 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.	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 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.	Yes	Yes		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 whole-time and independent directors, 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.**
   We did not receive any significant stakeholder complaints in the last financial year.

   The company has a hotline for whistle blowing and concern receiving. The concerns received are dealt with according to the company's ombudsperson policy. We did not receive any significant complaint from any external stakeholder in the last financial year.

PRINCIPLE 2
PRODUCT 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.**
   a. 'Flozins' - Canagliflozin and Dapagliflozin
   b. Sildenafil
   c. Sustainable packaging initiative for Omeprazole, Atorvastatin, Olanzapine

2. **For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):**
   a. **Reduction during sourcing/ production/ distribution achieved since the previous year throughout the value chain**
   b. **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:

   i. 'Flozins' - Canagliflozin and Dapagliflozin
   Flow chemistry for cryogenic reactions in Dapagliflozin/ Canagliflozin: A flow chemistry module has been developed and was installed in April-May, 2017 in one of our manufacturing unit. The project is in the implementation phase.

   With the new process flow, the potential savings in energy is estimated to be ₹ 3,224/KG of product manufactured and in raw materials it is estimated to be ₹ 14,768/KG of product manufactured.

   ii. Sildenafil
   In the commercial manufacturing process of Sildenafil, we have adopted the 1st principle of green chemistry which outlines 'prevention of waste generation'.

   Improvements:
   - 89% solvent waste reduction achieved in the current commercial route
   - 10 solvents reduced to just 4 solvents in the commercial route
   - Eliminated the use of a toxic and highly volatile solvent during the synthesis process

   iii. Sustainable packaging initiative for Omeprazole, Atorvastatin, Olanzapine etc.

Presently 80% of Dr. Reddy's procurements are from domestic producers and 20% from international producers.

- We have replaced the use of plastic drums with the use of paper fibre drums for Omeprazole Mg capsules OTC (US market) resulting in the reduction of approximately 490 tonnes of CO_2 emission per annum.
- We have introduced electronic version of the medication guide thus eliminating the need for a physical copy of the medication guide for Atorvastatin tablets, Omeprazole capsules, Olanzapine (US market), and resulting in saving of approximately 250 tons of paper per annum.
- The outer carton for Omeprazole capsules, Ketorolol tablets, Cetrine tablets, Nise tablets, Ibuclin tablets and Novigan tablets have been removed for the Emerging Markets thereby eliminating the use of wooden boards.
- Cubic utilization of containers by increasing the load ability for Omeprazole capsules OTC-US and Olanzepine-China resulting in a 10-20% reduction in export shipment containers by sea leading to fuel savings and a smaller CO_2 footprint reduction.

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 or so.**

Yes, Dr. Reddy's has a 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 & sharing best practices among all strategic business partners (total number: 450). Alternative vendors are being developed where single vendors are considered critical for business continuity.

4. **Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve the 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 80% of Dr. Reddy's procurements are from domestic producers and 20% from international producers.

Dedicated resources have been assigned the job of improving the 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; and
- Inculcating a culture of resource conservation among local & small producers with regard to improved solvent recovery efficiencies and eliminating the 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 recycled products and waste**

We have ambitiously set a target to achieve zero solid waste to landfill by the end of 2020. For the same we have taken a few initiatives to reuse/ recycle waste.

Dr. Reddy's generated 17,300 tonnes of hazardous waste during this reporting period. Out of the total hazardous waste generated 76% of the waste, which has higher calorific value is used as auxiliary fuel in cement industries eliminating offsite incineration. We have initiated disposal of ETP sludge to cement industries, this year we have disposed 1,980 MT of ETP sludge to cement industries for co processing.

A few of our units, we have started sending the solid inorganic waste of low calorific value for co-processing by treating it before introducing to the calciner. In order to burn this solid inorganic waste efficiently, it is blended with high calorific value waste to achieve a uniform calorific value of 2,500 kilocalories in the preprocessing units. With this initiative, we have been able to send 3,920 MT of low calorific value waste for co-processing.

During this reporting period, nearly 70 MT of pure potassium salt was segregated from process 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 also to segregate and upcycle pure salts from the process.

PRINCIPLE 3

EMPLOYEE WELL-BEING

1. **Please indicate the total number of employees.**

We have 22,681 employees as on 31 March 2017.

3,920 MT

Low calorific value waste for co-processing

2. **Please indicate the total number of employees hired on temporary/contractual/casual basis.**
   We have 658 employees on contract in India as on 31 March 2017.

3. **Please indicate the number of permanent women employees.**
   We have 3,774 women employees as on 31 March 2017.

4. **Please indicate the number of permanent employees with disabilities.**
   38

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 is members of this recognized employee association?**
   4.2%

7. **Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.**
   Table 2 provides the details.

Dr. Reddy's wins the 2017 Bengt Lindqvist Inclusive Employer Award.

8. **What percentage of your employees were given safety & skill upgradation training in the last year?**
   We trained 4,652 permanent employees in India for safety and skill upgradation.

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 labour/forced labour/involuntary labour	0	0
2	Sexual harassment	15	3*
3	Discriminatory employment	0	0

* *Closed in April, 2017.*

TABLE 3

KEY STAKEHOLDERS	ENGAGEMENT PLATFORMS
EMPLOYEES	
The driving forces of the organisation, our employees deserve a safe, inclusive and empowering work place with the freedom to act, innovate and grow not just as professionals but also individuals	Organisation health index | Inhouse publications | Intranet | Internal networking platform | CEO communication | 360 degree feedback | Celebrations | Training programs | Health page
INVESTORS AND SHAREHOLDERS	
Our investors and shareholders put trust and financial capital in the organisation and expect a steady return on their investments.	Analyst meets | Quarterly results | Annual reports | Sustainability reports | Earning calls | Email communication | Offical news releases and presentations
SOCIETY	
Communities across the world, specially the economically weaker sections of the society, whose lives are impacted by our social contributions. Healthcare professionals who rely on today's products and tommorrow's innovations	Through partners like Dr. Reddy's Foundation, CSIM, NICE Foundation and local NGO partners and employee volunteering program Dr. Reddy's Foundation for Health and Education (DRFHE) Inner circle - Relationship building programs | Abhilasha - Nursing efficiency program | Sarathi - Doctor's assistant program | Sanjeevani - Pharmacists program | Sutradhar - Ward boy's program | Akriti - Orthopedicians' program
CUSTOMERS AND PARTNERS	
Insurers, vendors, suppliers, distributors, Government, regulators and business partners who support various aspects of our operations.	Customers: Customer satisfaction survey, regular business meetings Business partners - Vendors: Vendor meets, strategic business partner training and development

Dr. Reddy's as a responsible company, identifies and assesses potential environmental risks and mitigates them through environmental risk management initiatives.

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 & 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/NGO's/others.**
   Dr. Reddy's has well defined Safety, Health and Environmental policy and principles in place to motivate our employees to minimise our environmental impact. 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 cover only the company's Indian operations.

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 to both within and beyond company's sphere of influence.

   Yes, the company has internal commitments to address climate change & global warming.

   Through carbon disclosure project (CDP), Dr. Reddy's is publicly disclosing its carbon footprint to all stakeholders at regular intervals. In CDP 2016 report, Dr. Reddy's has achieved C score band.

   The CDP 2016 report can be accessed at: https://b8f65cb373b1b7b15feb-c70d8ead6ced550b4d987d7c03fcdd1d.ssl.cf3.rackcdn.com/cms/reports/documents/000/001/288/original/India-edition-climate-change-report-2016.pdf?1477317296

   We publicly report on our environmental performance through our sustainability report. Please refer to page no: 55 to 62 of our sustainability report 2015-16 where we have mentioned details regarding the environmental initiatives taken at our units.

   The company's Sustainability Report 2015-16 can be accessed at: www.drreddys.com/media/903964/sustainability-report_full.pdf

3. **Does the company identify and assess potential environmental risks?**
   Yes, Dr. Reddy's as a corporate, identifies and assesses potential environmental risks and mitigates them through environmental risk management initiatives.

   The environmental risks identified are reviewed by the risk management committee of the board 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, also, if yes, whether any environment compliance report has been filed?**
   Yes, the 'biomass based steam production' project at Pydibhimavaram 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/cm2. This project plans to use the following biomass as the fuel source for the boiler:

   Primary fuel: Biomass briquettes;
   Calorific value: 3,700 to 4,100 kcal/kg

   Secondary fuel: Fuel 1: Rice husk;
   Calorific value: 3,200 kcal/kg

   Fuel 2: Indian coal;
   Calorific value: 3,500 to 4,300 kcal/kg

Fuel 3: Palm kernel shells;
Calorific value: 4,200 kcal/kg

We have optimized the use of secondary fuel 1: Rice husk for the operation of this boiler. During this reporting period, we have generated 137.72 TJ of energy and hence contributed to emission reduction of 10,696 tonnes of CO_2e to the atmosphere.

5. **Has the company undertaken any other initiatives on clean technology, energy efficiency, renewable energy, etc.**
   Yes, Dr. Reddy's a responsible corporate, has undertaken many energy conservation initiatives. In FY2017, we have implemented 153 energy conservations projects across various business units and accrued savings of ₹ 146.2 million, thus reducing GHG emission by 20,927 tonnes of CO_2e.

   The share of renewable energy in our total energy consumption has also increased; solar energy consumption for FY2017 was around 52.5 million kwh, thereby we have avoided carbon emission by 50,424 tonnes of CO_2e. We have also generated 286.61 TJ of energy using biomass/rice husk briquettes, thus eliminating GHG emission by 22,260 tonnes of CO_2e.

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.

   All our boiler stacks of API manufacturing facilities are provided with online stack emission monitoring systems and all the units are provided with continuous ambient air quality monitoring systems which are directly hooked to regulator's 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.**
   All the notices that we have received during the FY2017 are addressed and have been closed as on end of the year.

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.**
   We are members of some of the leading industry bodies and 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, Govt. 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 the above associations for the advancement or improvement of public good?**
   We have advocated for economic reforms through these 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 organizations. 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. 23 Pudami schools are educating over 8,030 students. Kallam Anji Reddy Vidyalaya (KARV), a model pudami school caters to 2,190 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 400 students.

- School improvement program (SIP) in government schools focuses on 25,284 students in 60 schools across six districts of Andhra Pradesh and Telangana. Through SIP we provide remedial learning, computer skill classes, spoken english classes, basic amenities, safe water and sanitation. SIP also provides scholarships for meritorious students to pursue higher education.

- Science education through a mobile science van that reaches out to schools and the community has been initiated in partnership with Agastya International Foundation. In FY2017, 4,475 students in 14 schools were covered through 144 mobile science lab visits. 15 community visits were conducted covering more than 200 community members.

- Higher education in liberal arts: Dr. Reddy's has been supporting Ashoka University to enable high quality research and education in the subject of liberal arts, which nurtures healthy and critical thinking and develops future leaders and thinkers.

16,000 farmers

benefited through the Mitra program

₹ 42.67 crores

contribution towards community development

Livelihood

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

- Grow - Youth: It has been developed for youth between 18 and 30 years, who have limited opportunities and inadequate skill sets. Grow equips them with job specific skills, soft skills and computer skills to make them employable. In FY2017, we trained 1,484 youth through our supported centers.

- Grow - PwD: Grow People with Disabilities (PwD), is a skill development program of 60 days, where differently abled youth aged between 18-30 years are given training in market driven skills which enable them to gain a suitable employment opportunity. In FY2017, 194 candidates were trained through this program.

- Mitra: This program assists farmers on technology and methodology in farming. It helps them enhance their income by increasing productivity. In FY2017, we supported 16,000 farmers through this program.

Developing change makers: We trained 39 budding social change agents on entrepreneurial and leadership skills through

Centre for Social Initiatives and Management (CSIM), Hyderabad.

Health Initiatives

Our health initiatives include:

- The Community Health Intervention Program (CHIP) covers 145 villages of Srikakulam, Nalgonda and Vizianagaram districts. This project was started in partnership with the Nice Foundation to provide primary and preventive care at the doorstep, to a large segment of rural population that do not have access to safe and reliable healthcare in the region. In FY2017, we reached out to a population of around 2.15 lakhs.

- 3 community RO water plants benefiting 7,500 families were established.

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

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

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 in ₹ and the details of such projects undertaken?

We contributed ₹ 42.67 crores for community development. For details of the projects undertaken refer the projects listed in the CSR report. Refer page 85-86

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 inclusive and designed towards sustainability. We involve the gram panchayat or local government in the project development discussions.

For education programs, we encourage the participation of parents in the school management committee (SMC) meetings, in which even local leaders participate, to instill ownership. Mandal Education Officer (MEO) on a quarterly basis reviews the school performance. Youth participating in the vocational skills enhancing programs pay a small percentage of the course fees. For the health program, the local panchayat and villagers were involved right at the beginning. Villagers and local government authorities have given space for running out patient (OP) wards and beneficiaries i.e. the community members are given the responsibility of running the OP and scheduling the patients. Patients are showing a positive attitude towards the minimal contribution sought from them for rendering medical services at their door steps.

PRINCIPLE 9

CUSTOMER VALUE

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

There are two consumer cases pending.

2. Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A.

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 a few exceptions, like Zoledronic injection for the EU market, which is provided with an arrow mark to help open the packaging easily.

- For NAG injectables, 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 in 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 Emerging Markets, we give only label claims, and in few cases warnings, 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 behaviour 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 Carrying & Forwarding (C&F) agents, which includes Dr. Reddy's also 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 the role of Chemists and Druggists Association of Baroda, its office bearers and submit a report. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Dr. Reddy's Laboratories Ltd. ('Dr. Reddy's', 'DRL' or 'the company') is an integrated global pharmaceutical enterprise committed to providing affordable and innovative medicines for healthier lives.

(1) FY2017 represents fiscal year 2016-17, from 1 April 2016 to 31 March 2017, and analogously for FY2016 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.

Dr. Reddy's through its three businesses - Pharmaceutical Services & Active Ingredients, Global Generics and Proprietary Products – offers a portfolio of products and services including APIs, Custom Pharmaceutical Services, generics, biosimilars and differentiated formulations. Our major therapeutic areas of focus are gastrointestinal, cardiovascular, diabetology, oncology, pain management and dermatology. Dr. Reddy's operates in markets across the globe. Our major markets include – USA, India, Russia and CIS countries and Europe.

To achieve our goal, we constantly work towards fulfilling our five promises, namely:

1. Bringing expensive medicines within reach.
2. Addressing unmet patient needs.
3. Helping patients manage disease better.
4. Enabling and helping our partners ensure that our medicines are available where needed.
5. Working with partners to help them succeed.

Our three key core business segments are:

- Global Generics (GG), which includes branded and unbranded prescription medicine as well as over-the-counter (OTC) pharmaceutical products. It also includes the operations of our biologics business.
- Pharmaceutical Services and Active Ingredients (PSAI), which comprises Active Pharmaceutical Ingredients (API) and Custom Pharmaceutical Services (CPS).
- Proprietary Products (PP) which consists of our differentiated formulations businesses in dermatology and neurology.

FY2017 has been a challenging year for the company. But before explaining the causes and reasons, it is useful to give an abridged view of Dr. Reddy's consolidated financial performance in compliance with International Financial Reporting Standards (IFRS).

There were five reasons for a worse performance in FY2017 compared to the previous year.

CONSOLIDATED FINANCIAL PERFORMANCE FOR FY2017

CONSOLIDATED REVENUES

₹ 140.8 bn

down by almost 9% compared to previous year.

GROSS PROFIT MARGIN

55.6%

of consolidated revenues – down by also most 4% compared to previous year.

EBITDA

FY2017 FY2016

₹ 25.5 bn VS ₹ 36.3 bn

accounted for 18.1% of consolidated revenues.

PROFIT BEFORE TAX (PBT)

₹ 14.7 bn

compared to ₹ 27.1 billion in the previous year.

PROFIT AFTER TAX (PAT)

₹ 12 bn

compared to ₹ 20 billion in the previous year.

1. First, the US market witnessed significant price erosion in some of our high value products on account of two factors: (a) new competitors also launching these drugs and pushing prices down, and (b) major consolidation of our key customers and channels which gave the buyers greater pricing power. In addition, a high value multi-year supply contract expired during the year.
2. Second, there were significant delays in the approval and launch of new products in the US market, mainly due to additional queries raised by the US Food and Drug Administration (USFDA) coupled with intellectual property (IP) litigations on some of our complex generics products. Moreover, some launches of key molecules such as Esomeprazole, Imatinib, some injectables as well as certain APIs were

Between now and 2021, the global pharmaceutical industry is expected to grow revenues by between 4% and 7% and clock nearly US$ 1.5 trillion.

also delayed due to three of our plants being issued an USFDA warning letter in November, 2015.

3. Third, to some extent, our India business was affected by Government imposed drug price regulations that covered some of our products.

4. Given the serious political, economic and currency crisis in Venezuela, we consciously chose to limit our business to only supplying consignments against remittance of funds from the country. Since such repatriation was minuscule, so too was the size of our business.

5. The API business was also impacted due to lower off-take of some key molecules.

A SNAPSHOT OF PERFORMANCE

GLOBAL GENERICS (GG)

- **Revenue from GG in FY2017 was ₹ 115.4 billion.** This represented a decline of 10% over the previous year and was primarily on account of lower contribution from North America Generics and Emerging Markets.
- **Revenue from North America Generics was ₹ 63.6 billion,** a fall of 16% versus FY2016. This was primarily due to delay in approvals from USFDA coupled with launch delays from our three plants that received the USFDA warning letter in November, 2015, increased competition in key molecules such as Valganciclovir, Decitabine and Azacitidine resulting in greater price erosions and the loss of business from McNeil Consumer Healthcare which affected the revenue of our Shreveport facility in Louisiana.

  Even so, in FY2017 Dr. Reddy's launched 10 products, the major ones being Omeprazole Sodium Bicarbonate, Nitroglycerin SLT and Paricalcitol injection. The year also saw 26 abbreviated new drug applications (ANDAs) being filed. Cumulatively, 101 generic filings – 99 ANDAs and two NDAs under 505(b)(2) regulatory pathway defined under the Federal Food Drug and Cosmetics Act –are currently awaiting approval from the USFDA. Of the 99 ANDAs, 62 are Para IVs. The company believes that 21 of these are potentially in the 'First to File' status.
- **Revenue from Emerging Markets was ₹ 21.1 billion,** a decline of 11% versus FY2016. Revenue from Russia grew by 9% year-on-year to reach ₹ 11.5 billion, thanks to the improving macroeconomic climate and stability of the currency during the year. In roubles, the growth was 8%. Despite this growth, the Russian business is yet to reach its earlier peak. CIS markets including Romania grew by 4%. This was on account of higher off-take in Ukraine and Romania, but was partly offset by the devaluation of the Ukrainian hryvnia. Revenue from the rest of the Emerging Markets declined by 38%, largely due to severely constrained operations in Venezuela.
- **Revenue from India stood at ₹ 23.1 billion**, registering a growth of 9%. However, as mentioned earlier, growth during the year was partially impacted by the notified decline of prices of certain drugs in the National List of Essential Medicines (NLEM) issued by the National Pharmaceutical Pricing Authority (NPPA).

₹ 115.4 bn

Revenue from GG for FY2017

PHARMACEUTICAL SERVICES AND ACTIVE INGREDIENTS (PSAI)

- **Revenue from PSAI stood at ₹ 21.3 billion,** decline of 5% on a year-on-year basis. During the year, 82 drug master files (DMFs) were filed globally. This included nine in the US, five in the Europe and 68 in the other markets. The cumulative number of DMF filings as on 31 March 2017 was 754.

₹ 21.3 bn

Revenue from PSAI for FY2017

GLOBAL PHARMACEUTICAL MARKET OUTLOOK

Between now and 2021, the global pharmaceutical industry is expected to grow revenues by between 4% and 7% and clock nearly US$ 1.5 trillion. That will be an increase of US$ 370 billion from the estimated spending level of 2016. A somewhat lower growth rate compared to what was witnessed in 2014 and 2015 is because these two years saw an unprecedented global surge in new hepatitis and cancer drugs. The US will continue to be the world's largest pharmaceutical market.

As it is the case today, overall revenue growth will be powered by newer medicines in developed markets and significantly increased volume in the Emerging (or 'pharmerging') Markets. Faced with a growing population of the aged, developed countries will continue to offset increased costs from new medicines with the use of generics coupled with greater focus on pricing and access measures. Pharmerging markets will drive growth by trying to enhance the access of medicine across the population. These countries will comprise nine of the top 20 markets of the world. And thanks to its burgeoning volumes, China will be the clear number two after the US.

The new medicines which are expected to drive growth will be largely in the nature of 'specialty' products. Over the past decade, the share of specialty medicines has increased from 20% in 2006 to 30% in 2016, and is expected to exceed 35% by 2021. These drugs address significant unmet needs in cancer, autoimmune diseases, metabolic disorder, nervous system dysfunction and others. Specialty medicines will approach half the pharmaceutical spend in the US and the EU4 (France, Germany, Italy and Spain) plus Great Britain.

OUTLOOK FOR THE US

For most large Indian generics pharmaceutical companies, the US accounts for anywhere between 40% to 60% of consolidated revenues. Hence, it is germane to discuss the structure of the US generics industry and some key developments. These are:

- **The US pharmaceutical market will grow from US$ 462 billion in 2016 to between US$ 645 billion and US$ 675 billion in 2021.**
- **Patent cliff and the opportunity landscape -** Over the next couple of years, branded drugs approximatly having a value of US$ 65 billion will go off patent. To be sure, the off-patent opportunity value is reducing; however, this does not imply that the opportunity landscape is shrinking. There are many specialty complex generics products where there are relatively few regulatory hurdles. If companies can successfully develop such generic versions to the satisfaction of the USFDA, there exists attractive opportunities. Relatively recent examples of such medicines are the generic versions of Arixtra®, EpiPen® and Copaxone®, among others. To differentiate and remain relevant, the generics participants need to create a meaningful and robust pipeline, with a very strong regulatory backbone. Equally, it needs to be stated that a steady influx of generics companies, both Indian and international, has led to an unprecedented increase in competition and consequentially accelerated price erosions. In recent years this price competition has been accentuated by systematic consolidation of the distribution channels in the US.
- **Product profile and related development cost -** To achieve steady and profitable growth, companies must seriously and consistently innovate to develop complex molecules, new delivery platforms, drug device combinations and the like. With an 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 now exceeds US$ 5 million, compared to around US$ 1 million for a simple oral solid finished dosage form. Developmental spends on inhalations, complex injectables and biosimilar products are much higher. Major Indian pharmaceutical companies have increased R&D spend over the past five years, both in absolute and percentage terms. While such absolute spends are lower than international generics majors like Actavis, Mylan and Teva, some Indian pharmaceutical companies, including Dr. Reddy's, spend higher in terms of percentage of sales. All else being equal, such higher R&D efforts bode well for further entry of higher value complex generics, Proprietary Products and biosimilars from India to the US. A requirement for getting this strategy to succeed is that the USFDA accelerates the process of granting approvals for such complex products.
- **USFDA approvals for ANDA filings -** Given the rapidly expanding base of generics companies seeking the US market, there was a need for the USFDA to augment their resource base to facilitate faster approvals. Under the Generics Drug User Fee Act (Series 1), popularly called GDUFA1, the USFDA collected fees from all participant companies to augment resources and set up a structured process of approving the ANDA applications. For the simple and not-so-complex molecules, companies have started getting timely responses including approvals. However, complex molecules are yet to see such an increase in the response rate. Indeed, there has been a notable spike in the refuse to receive (RTR) and complete response letters (CRL). Although these are still early days, Scott Gottlieb, the new USFDA commissioner under the Trump administration, has argued in favor of defining a more efficacious path for the approval of complex generic drugs. It remains to be seen how the new GDUFA2 will perform in bridging this gap.
- **Sustainable manufacturing footprint -** Over the last few years, the USFDA has been following a more stringent regulatory regime based on a rigorous risk-based audit methodology for the approval of manufacturing sites. This has led to an industry-wide increase in the USFDA issuing form 483s with subsequent warning letters and, on occasions, with import alerts. The regulator's expectations have increased regarding what constitutes proper documentation and in avoiding potentially 'what can go wrong' in manufacturing and quality processes – occasionally going even beyond the good manufacturing practice (GMP) requirements. We in Dr. Reddy's welcome this because, at the end of it all, there is a clear message for lifting quality and manufacturing processes to a new scale, as these should be for any global pharmaceutical major.
- **Sustainable commercial footprint -** Launching a pharmaceutical product and securing a decent sustainable market share depend upon (a) competition, (b) consolidated buying consortiums and (c) the possibly of government oversight

US$ **675** bn

US pharmaceutical market in 2021

To differentiate and remain relevant, the generics participants need to create a meaningful and robust pipeline, with a very strong regulatory backbone.

US$ **65** bn

Branded drugs expected to go off patent over the next couple of years

US$ **5** mn

Product development cost for a complex generic

Large pharma companies are increasingly keen to share their risks, pool R&D resources and enhance capabilities for enhanced research and development productivity.

regarding generics pricing. For relatively simple products, there is very high competition which, coupled with rising bargaining power from an increasingly consolidated buying consortium, has resulted in a pace of price erosion that is faster than ever before. For complex drugs, realizations and sustainability of revenue stream are comparatively better. Recently, however, due to successive and almost astronomical price increases in EpiPen®, there has been considerable debate in the US over the price increases taken by select generics companies and possible controls and oversight. In the absence of a unified political view on this matter, the chance of price controls in the near to medium term is low. However, the risk exists.

- **Others -** The Trump administration has signaled its desire to bring about wide-ranging changes in taxes and trade. While the details are still unclear, point of focus seems to be a destination-based border-adjustable international corporate consumption tax (or DBT). It seems unlikely that such a DBT will be introduced given that it will contravene the WTO rules and result in a likely disruption to supplies.

OTHER GLOBAL TRENDS

- **Mergers and acquisitions (M&A) are here to stay -** M&As continue to be one of the pharmaceutical sector's mainstay growth strategies. Consolidation becomes imminent in the face of pricing pressures; to strengthen existing product portfolios; to replenish pipelines depleted by patent expiry; to spread or deepen capabilities in priority areas; to enter new markets; and to acquire innovative technologies to leverage current assets or generate cost-saving synergies. In the process, increasingly larger deals are coming into play and pharma companies are digging deeper into their pockets to finance M&A.
- **Collaborations to continue in the R&D space** - The once low-hanging fruits for creating drug blockbusters are gone and R&D costs are on the rise. Large pharma companies are increasingly keen to share their risks, pool R&D resources and enhance capabilities for enhanced research and development productivity.
- **Digital pharma -** In the recent past, we have witnessed some high-profile collaborations between information technology giants and major pharmaceutical companies. As examples, Google and its parent company Alphabet formed partnerships with GSK and Sanofi, while IBM has allied with Teva, Celgene and Quest Diagnostics. These collaborations are aimed to harness new and developing technologies to supercharge R&D, help create new personalized diagnostic tools using big data and IT-driven pathways, construct more intelligent pharmacovigilance and the like. IT will continue to streamline manufacturing costs and afford options that allow for cheaper, personalized, designed-intensive variations to accommodate everything from a small-batch contribution of a drug for a clinical trial to mass quantities of drugs for chronic conditions. Looking forward, these IT-pharma joint deals will rapidly become the norm.
- **A 3D future -** The next step of using technology to create personalized medicine will be the fabrication of complex specialty drugs through 3D printing of living tissues. 3D printing is a type of additive manufacturing and is a process that creates a three-dimensional object by building successive layers of raw material. Each new layer is attached to the previous one until the object is complete. The flexibility of 3D printing allows designers to make changes easily; and it enables manufacturers to create patient-specific devices matched to a person's anatomy as well as those with very complex internal structures. These capabilities have created major interest in 3D printing of medical devices. Recognizing this, the USFDA has developed a draft guidance document that outlines the regulator's initial thoughts on the matter, especially technical considerations specific to devices that are expected to be manufactured via 3D printing.[1]
- **Higher regulatory scrutiny on pricing -** With increased financial pressure on governments to reduce their healthcare burden, price squeeze will be a widespread factor. Regulators have become increasingly vigilant of price increases taken by firms – a matter that recently came to international attention with the huge EpiPen® price hikes in the US. Many global firms have been subpoenaed by law makers over price increases. Reforms are being implemented, drafted or floated by various nations as to how pricing can be constrained to mitigate the stress on healthcare costs. To give some examples:
  a) President Trump mentioning the need to create a bidding procedure to handle escalating drug prices;
  b) The EU council recommending greater cross-border collaboration on pharmaceutical pricing, including joint horizon scanning, proactive sharing of pricing information and joint price negotiations across 'coalitions' of member states;
  c) China stating that for the period 2016-20 the industry will witness increasing control on pharmaceutical pricing; and

3D printing is a type of additive manufacturing and is a process that creates a three-dimensional object by building successive layers of raw material.

[1] See USFDA, 'Technical Considerations for Additive Manufacture Devices: Draft Guidance for Industry and Food and Drug Administration Staff', 10 May 2016.

d) The Japanese government announcing in December, 2016 plans to supplement the biennial price revision process with annual price reviews in the off-years.

In response, some pharma majors have pledged to limit price hikes to single digits, stop unfair practices like incentivizing doctors to promote their products and provide increased assurance on quality and safety of their products. This new attitude is increasingly becoming the expected standard. And with the big players going on record with these commitments, the pressure is on their rivals to follow suit.

- **Increased importance of Emerging Markets -** This trend has grown steadily in recent years and will continue to do so. Pharmerging markets already account for a third of global pharmaceutical revenues. This share will continue to increase over the next decade.
- **Patient centricity -** Thanks to the vast resource of information on drugs available online, today's modern patient is far better informed about the medicines they are being prescribed than their previous generation. Pharma companies have to react to this new reality and realize the centrality of patient experience. For instance, Sanofi took steps to this end in 2015 by creating a new role of the chief patient officer and introducing a three-pillar strategy for patient centricity based on input and understanding, solutions and outcomes, and culture and community. Patient-centric clinical trials have been a hot topic since 2016, with organizations like the European Union Patients' Academy for Therapeutic Innovation (EUPATI) advocating greater patient involvement in the R&D process, including the planning of clinical trials. Giving patients an active role in trial design makes a great deal of sense. It should also help boost patient recruitment, reduce clinical trial costs and ultimately expedite the process of going to market.

Pharmerging markets already account for a third of global pharmaceutical revenues. This share will continue to increase over the next decade.

2.1 bn

Global population of 60 years and above by 2050

27 mn

Number of cancer cases expected to increase by 2030

- **Rapid urbanization and an ageing population -** It is estimated that by 2050 more than two-thirds of the world's population will live in cities. While the benefits of organized and efficient cities are well understood, rapid and unplanned urbanization invariably leads to unmanageable population densities, poverty of a growing under-class and the lack of infrastructure – which foster conditions for higher incidence of infections especially communicable and epidemiological diseases.[2] That will create an increasing government demand for affordable anti-infective medicine and related prophylactics. Between 2015 and 2030, the global population of 60 years and above is projected to grow by 56% to reach an estimated 1.4 billion; and by 2050 this will be more than double to touch 2.1 billion. Ageing population is associated with higher healthcare spending – due to higher incidences of cancer, dementia, Parkinson's disease and heart-related disorders. To give an example, only on account of ageing the number of cancer cases is expected to increase to 17 million by 2020 and 27 million by 2030. Healthcare systems will need to prepare for increasing incidences of chronic conditions within progressively older populations, with a focus on providing preventive versus reactive care.
- **Rising income levels and changing lifestyles -** The middle class has been growing rapidly in Emerging Markets. Such families possess greater disposable income and expect better healthcare solutions. In India, for instance, successive quinquennial rounds of the national sample survey on consumer expenditure show children's education and healthcare to be items that have the highest growth in per capita spends. Thus, there is a rapidly growing demand for affordable pharmaceutical solutions. In addition, changing lifestyles have led to unhealthy eating habits, lack of exercise, less sleep and strains of the kind that have not been seen before. These have resulted in higher obesity rates, diabetes, poor digestion, cardiovascular problems, hallucinations, breathing difficulties, back and neck troubles and other ailments. Such chronic lifestyle diseases have created a demand for health supplements, vitamins and minerals and significantly greater dependence on medications.
- **Immuno-oncology drugs -** The oncology landscape is evolving rapidly as scientific advances bring treatment options to an expanded number of patients. Regulatory pathways, diagnostic and treatment infrastructure and financing mechanisms are required to gear up to this shift to meet the needs of populations. New treatment options have become available in the last five years and the surge of innovation is expected to continue due to a robust pipeline of drugs in clinical development by a large and diverse group of pharmaceutical companies.

[2] In India, the increasing prevalence of dengue and its debilitating mosquito-borne bedfellow called chikangunia are cases in point.

As examples:

- Over 20 tumor types are being treated with one or more of 70 new cancer treatments that have been launched over the past five years.
- The impact of these new medicines on patient care is exemplified by the case of the two PD-1 immuno-oncology drugs, whose rapid uptake reflects their remarkable clinical profile and successive expansion of indications.

There is a significant scope in increasing the accessibility of such immuno-oncology drugs. Only six countries in the world have more than half of the recently launched drugs available for patients and even less are reimbursed under public insurance programs. The outlook is extremely positive in this space with a robust development pipeline and significant scope for widespread reach to the patient population.

- **Bump up for biosimilars -** Biosimilars are inevitable, particularly in emerging countries but also in developed nations including the US. Simply put, biosimilars are more than therapeutic novelties. These are necessities due to the projected saving for cash-strapped health systems in the US and Europe over the next five years. It is expected that approximately US$ 27 billion to US$ 58 billion of biological products would go off-patent in the US. Biosimilars are expected to have a significant impact on spending over the next five years: there are anywhere between 25 and 35 such molecules in development and a large percentage of them can be expected to reach the US market by 2021 subject to regulatory review and litigation. Convergence of regulatory standards is still too slow. But a bright spot is the national regulators' increasing acceptance of data extrapolation, which allows a biosimilar to be approved for multiple indications without undergoing additional clinical testing. However, stakeholder education and greater outreach are needed.

In sum, the global pharmaceutical industry is at an interesting juncture where it has to address certain inherent challenges to ride the wave of significant future opportunities. To cope with the ever changing business regime, companies are re-evaluating their existing business models in their attempt to establish superior variants. These are aimed at portfolio enhancement, creation of more complex products, capability augmentation, entering new regions, targeting cost leadership and establishing lean structures. The innovative and resilient firms are expected to come out well addressing the concerns and finding avenues for growth. In general, there is cause for well calibrated optimism.

DR. REDDY'S MARKET PERFORMANCE, FY2017

NORTH AMERICA GENERICS

North America Generics remain the most significant market for Dr. Reddy's comprising 55% of the GG topline.

Revenue from the region for FY2017 was ₹ 63.6 billion (US$ 956 million), representing a decline of 16% vis-à-vis the previous year. As mentioned earlier, FY2017 was challenging for the business on account of significant pricing pressures on its key products, extinguishing of a manufacturing contract with one of our partners, the USFDA warning letter issued for three of our facilities in India in November, 2015 and a marked slowdown in approvals from the USFDA. Some key developments were:

- Launched Nitroglycerin sub-lingual tablets of various strengths, a therapeutic generic equivalent of Nitrostat® which is used to treat or prevent angina.
- Launched Omeprazole and Sodium Bicarbonate capsules, a therapeutic equivalent generic version of Zegerid®, which is used for the treatment of heartburn and other symptoms of gastroesophageal reflux disease.
- Gained significant market share in certain products like Esomeprazole DR and our OTC nicotine patch, Habitrol®.
- Successfully managed key accounts and fended off significant competitive pressures in the injectable portfolio. We have been able to largely preserve the volume market share, although there has been significant price erosion.
- Significantly stepped up remediation efforts arising out the USFDA warning letter and have de-risked for near term major launches by listing alternative sites.
- Filed 26 new ANDAs during the year, comprising some key complex products across different dosage forms.
- Acquired eight ANDAs from Teva/ Allergan across various dosage forms for US$ 350 million. We believe these will be decent contributors to growth in the medium term. We launched the first product Vytorin in April, 2017 and are working towards product commercialization of the remaining seven ANDAs.
- Acquired six well known OTC brands in cough, cold, pain and dermatological categories from Ducere Pharma.
- Entered into a strategic collaboration with Gland Pharma to market and distribute a diverse portfolio of eight injectable ANDAs in the US market. The combined sales of the branded and generic versions of these products in the US market was approximately US$ 1 billion, as per the IMS Health moving average data of August, 2016.

Filed 26 new ANDAs during the year, comprising some key complex products across different dosage forms.

₹ 63.6 bn

Revenue from North America Generics market for FY2017

Going forward, our key priorities shall be to strive for market share retention and gains across our key products, to focus on new launches and to successfully remediate the issues raised in the USFDA warning letter – and, in doing so, facilitate other key launches from the three Indian facilities that were the subject of the US regulator's investigations.

RUSSIA AND CIS

Revenue from Russia for FY2017 was ₹ 11.5 billion, which was a 9% growth over the previous year on the back of healthy volume growth in key brands. Revenue from other CIS countries (including Romania) was ₹ 3.7 billion, or a year-on-year growth of 4%. The key performance indicators were:

- Strong volume growth in our key brands like Omez, Ciprolet, Cetrine and Ibuclin. Nise, Omez, Ketorol, Ciprolet, Senade and Novigan are the brand leaders in their respective categories, as reported by IMS Health in its moving average report for the 12-months ended 31 March 2017.
- We continued our momentum in the OTC channel in Russia by focusing on establishing a network of relationships with key pharmacy chains and individual pharmacies. The OTC business grew by 17% year-on-year. It currently accounts for 40% of our business in Russia. We have also seen sufficient traction in institutional sales to hospitals and expect it to form a significant proportion of our business in the near future. We expect this business to be augmented by the introduction of Reditux®, our Rituximab biosimilar.

Going forward, our focus will be on: (a) portfolio augmentation, to reduce the dependence on key molecules; (b) further strengthening and continuing the momentum of the OTC portfolio; and (c) optimizing the potential of biosimilar drugs in Russia and other CIS Regions (CISR).

In the CISR, we reported healthy growth in Ukraine and Romania. In Ukraine, despite significant currency devaluation in FY2017, we grew our business on account of new product launches and

We have also seen sufficient traction in institutional sales to hospitals, and expect it to form a significant proportion of our business in the near future.

₹ 11.5 bn
Revenue from Russia for FY2017

₹ 7.6 bn
Revenue from Europe for FY2017

strong sales of key products such as Reditux® and Flucold. In Kazakhstan, regrettably, currency devaluation and a generally unfavorable macroeconomic environment dampened growth for FY2017.

VENEZUELA

We are committed to serve this market which has huge unmet needs. However, given the acute currency restrictions in the country, we have opted in favor of a balanced approach: of supplying consignments against letters of credit or binding payment commitments from the government.

EUROPE

Revenue from Europe for FY2017 was ₹ 7.6 billion – a decline of 2% year-on-year, largely on account of the post-Brexit depreciation of the British pound. Generics sales in Europe accounted for approximately 7% of the GG business. Despite competitive pricing pressures in Pregabalin and price pressures on Aripiprazole, we were generally able to sustain the momentum gained in the business from last year. This was supported by new product launches of Imatinib, Voriconazole, Buprenorphine patch and volume gains in Pregabalin. In FY2017, we embarked on expansion of our footprint in the Europe market with the introduction of a select portfolio of generics across the oncology and anti-infective categories in France, Italy and Spain. We expect good growth from these markets on the back of such new launches.

INDIA

Revenue from India for FY2017 grew at 9% year-on-year to ₹ 23.1 billion. This was despite significant headwind from government induced pricing pressures on account of the new National List of Essential Medicines (NLEM). India contributes to 20% of revenues of the GG segment. Our growth as per the IMS moving average estimates of March, 2017 has been 4.5% vs market growth of 9.1%. We believe this may be partly due to the higher impact of NLEM on our portfolio. The highlights were:

- In April, 2015, Dr. Reddy's acquired select established brands portfolios from UCB group entities for the territories of India, Nepal, Sri Lanka and Maldives. This comprised dermatology, respiratory, ENT and pediatrics diseases, and has expanded Dr. Reddy's therapy footprint in these fast growing areas. The task of integrating the UCB portfolio has gone on well and in line with expectations. It provides the company with leading positions in some of the key therapeutic areas.
- We expanded our collaboration with Amgen® to market and distribute three of its products in India: XGEVA® (Denosumab), Vectibix® (Panitumumab) and Prolia® (Denosumab) in the therapeutic areas of oncology and osteoporosis.
- We entered into an agreement with Integra LifeSciences to market and distribute DuraGen Plus® and Suturable DuraGen® dural regeneration matrices in India. These are part of a leading family of dural (or cranial repair) products.

Going forward, the business will focus on: (a) enhancing the benefits of the acquisitions and in-licensing deals; (b) enriching the India portfolio through new product launches; (c) building a stronger OTC portfolio with top-of-the-mind brand awareness; and (d) generating market leading growth for key products on an enhanced base.

We strive to deploy the best practices in quality management systems across all our manufacturing locations while expanding on value added offerings across markets.

82

DMFs filed globally during the year

PSAI

The PSAI business recorded revenues of ₹ 21.3 billion in FY2017, which was 5% lower than the previous year. The key developments were:

- During the year, 82 DMFs were filed globally, of which nine were in the US. The cumulative number of DMF filings as on 31 March 2017 was 754.
- In November, 2015, we received a warning letter from USFDA after the inspection of our API manufacturing facilities at Miryalaguda (Telangana) and Srikakulam (Andhra Pradesh). These plants were re-inspected by the USFDA from February - April, 2017. Adequate response has been provided to the USFDA for the observations received. The focus in FY2017 was on implementing corrective and preventive remediation actions. However, this impacted the company's output and revenue for the year. Subsequent to the year end, we have received the establishment inspection report (EIR) from the USFDA for the Miryalaguda facility, signifying the closure of all open observations.

We strive to deploy the best practices in quality management systems across all our manufacturing locations while expanding on value added offerings across markets. We also endeavor to improve the filing profile of our DMFs to better serve internal as well as external clients.

PROPRIETARY PRODUCTS (PP)

The PP business earned ₹ 2.4 billion in revenue in FY2017. This represented a decline of 11% over the previous year, primarily due to a temporary supply issue regarding one of our drugs and a re-prioritization of our portfolio to accelerate the market uptake of new products. The focus in FY2017 has been on the commercialization of our newly launched products, namely Zembrace™ SymTouch™ (a 3 mg Sumatriptan injection for acute migraine) and Sernivo™ (a Betamethasone Dipropionate 0.05% spray to treat mild-to-moderate plaque psoriasis).

On the R&D front, the focus has been on advancing the development of the two in-licensed assets. These are:
(a) XP-23829 acquired from XenoPort, which is 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
(b) E7777, from Eisai, an anti-cancer agent. In addition, work is going on in developing some internal pipeline products that involve dermatological and neurological assets which are in mid-to-late stage development.

USFDA OBSERVATIONS: AN UPDATE

The United States Food and Drug Administration ('USFDA') issued a warning letter dated 5 November 2015 (the 'warning letter') relating to current good manufacturing practice ('cGMP') deviations at our active pharmaceutical ingredient ('API') manufacturing facilities at Srikakulam, Andhra Pradesh and Miryalaguda, Telangana, as well as those at our oncology formulation manufacturing facility at Duvvada, Visakhapatnam, Andhra Pradesh. The contents of the warning letter emanated from form 483 observations that followed inspections of these three sites by the USFDA in November, 2014, January, 2015 and February-March, 2015, respectively. Pending resolution of the issues identified in the warning letter, the USFDA has withheld approval of new products from these facilities.

Subsequent to the issuance of the warning letter, we promptly instituted corrective actions and preventive actions and submitted a comprehensive response to the warning letter to the USFDA, followed by periodic written updates and in-person meetings with the USFDA. Moreover, to minimize the business impact, we transferred certain key products to alternative manufacturing facilities.

The USFDA subsequently re-inspected these facilities between February - April, 2017. The outcome of these inspections were as follows:

- API facility at Miryalaguda: The USFDA raised three observations in the areas of older methods of validation, improvements in instrument calibrations and adherence to United States Pharmacopeia ('USP') test methods.
- API facility at Srikakulam: The USFDA raised two observations in the areas of high performance liquid chromatography ('HPLC') maintenance and the management of soft copies of chromatograms.
- Oncology formulation facility at Duvvada: The USFDA raised thirteen observations in the areas of investigations, batch production records, document controls, general computer systems and environmental monitoring.

Global corrective actions, as well as some specific actions, have already been implemented. Additionally, a detailed response was submitted to the USFDA which included root cause, corrective actions and preventive actions and impact assessment. In June, 2017, the USFDA issued an establishment inspection report which officially closed the audit of our API facility at Miryalaguda.

We remain fully committed to follow high standards of quality and strive towards the further strengthening of our quality management systems and processes for sustainability. Our plans to enhance our quality management systems and operations include improvements in rigor of investigations and document control systems, standardization of instrument calibrations, strengthening controls with respect to information technology, strengthening shop floor training programs and simplifying and standardizing standard operating procedures and batch records at the shop floor.

Further, we have initiated additional operational improvements with respect to areas such as shop floor supervision and Gemba walks (also known as process walks) into the shop floor, engineering, implementation of electronic batch records to eliminate manual errors and focus on robustness of processes.

Throughout the process of remediating issues raised in the warning letter, we have been continually engaged with the USFDA in conveying the progress we have made.

We are fully committed to produce safe and efficacious products for our patients. We have the highest respect for the USFDA, its mission and its processes.

FINANCIALS

Table 1 below gives the abridged IFRS consolidated revenue performance of Dr. Reddy's for FY2017 compared to FY2016.

REVENUE

Total revenue declined by 9% to ₹ 140,809 million in FY2017. As mentioned earlier, this was largely on account of a lower contribution from North America as no major new products were launched during the year coupled with increased competition in key molecules; lower contribution from Emerging Markets primarily due to constrained operations in Venezuela; and some decline in our PSAI business on account of lower off-take of key molecules.

GROSS PROFIT

Gross profit declined by 15% to ₹ 78,356 million in FY2017. This was a four percentage points reduction in the gross profit margin from 59.6% in FY2016 to 55.6% in FY2017. The gross profit margin for GG was 61.6%. For the PSAI business, it was 21%. As mentioned earlier, factors that negatively affected gross profit margins for GG were higher price erosion on account of new competition, provisions towards new product inventory, a one-off impairment charge and operational de-leveraging. The PSAI gross margin was affected due to an unfavorable product mix.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A)

SG&A expenses increased marginally by 1% to ₹ 46,372 million in FY2017. This was due to higher charges on account of matters relating to the new list of price controls imposed by India's National Pharmaceutical Pricing Authority (NPPA); greater spend on new products in the Proprietary Products business; and some routine items related to manpower and other spends. The increase in SG&A expense was partially offset by lower cost incurred on USFDA remediation related efforts versus FY2016 and the scaling down of operations in Venezuela. SG&A accounted for 32.9% of sales in FY2017.

R&D EXPENSES

R&D expenses for FY2017 were at ₹ 19,551 million, or 13.9% of revenue versus 11.5% in FY2016. This increase is in line with our continued focus on building our complex generics and differentiated products pipeline, including spends on the in-licensed portfolio of assets from Teva and the acquisition of in-process R&D assets of XenoPort and Eisai.

NET FINANCE INCOME

Net finance income was ₹ 806 million in FY2017 versus a net finance expense of ₹ 2,708 million in FY2016.

INCOME TAX

For FY2017, income tax expense was ₹ 2,614 million, with an effective tax rate of 17.8%, compared with ₹ 7,127 million in FY2016 and an effective tax rate of 26.3%. The decrease in effective tax rate is primarily on account of satisfactory resolution of certain tax matters relating to prior years.

NET PROFIT

Net profit decreased by 40% to ₹ 12,039 million in FY2017. This represents a PAT margin of 8.5% of revenues versus 12.9% in FY2016.

LIQUIDITY AND CAPITAL RESOURCES

Please refer to **Tables 2 and 3**. Cash generated from operating activities in FY2017 was ₹ 20,859 million. Investing activities amounting to ₹ 17,871 million in FY2017 includes net investment in property, plant, equipment and intangibles to build capacity and capabilities for future business growth. Cash outflow from financing activities was ₹ 3,641 million. Closing cash and cash equivalents as on 31 March 2017 was ₹ 3,779 million.

TABLE 1 CONSOLIDATED FINANCIAL PERFORMANCE ACCORDING TO IFRS (IN MILLION OF US$ AND ₹)

PARTICULARS	FY2017			FY2016			GROWTH %
	US$	₹	%	US$	₹	%	
Global Generics	1,780	115,409	82	1,975	128,062	83	(10)
North America		63,601			75,445		(16)
Europe*		7,606			7,732		(2)
India		23,131			21,293		9
Emerging Markets**		21,071			23,592		(11)
PSAI	328	21,277	15	345	22,379	14	(5)
North America		3,569			3,052		17
Europe		8,410			9,313		(10)
India		1,750			2,618		(33)
RoW		7,548			7,396		2
Proprietary Products & others	64	4,123	3	66	4,267	3	(3)
Total	2,171	140,809	100	2,386	154,708	100	(9)

* *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.*

DEBT-EQUITY

In FY2017, long-term borrowings, including the current and non-current portion, decreased by ₹ 5,236 million. Short-term borrowing rose by ₹ 20,908 million, essentially to take advantage of softer interest rates. As on 31 March 2017, the company's debt to equity ratio was 0.40 compared to 0.26 last year. The net debt to equity position was at 0.25 versus (0.05) last year. **Table 4** gives the data.

ENTERPRISE-WIDE RISK MANAGEMENT (ERM)

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

- Proactively identify and highlight risks to the right stakeholder.
- 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, which are the primary sources for risk identification. It also regularly monitors external trends on liabilities and risks reported by peers in the industry.

Dr. Reddy's ERM team focuses on identification of key business, operational and strategic risks, which are carried out through structured interviews, on-call discussions or incidents. The team collaborates with the company's compliance, Sarbanes-Oxley 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 is discussed with the company's senior management and at the risk management committee of the board.

Risks are aggregated at the unit, function and the organization 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 (FIRM) council, is Dr. Reddy's management committee that helps the ERM function to prioritize organization-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.

The Chief Risk Officer of Dr. Reddy's provides quarterly updates to the FIRM council and the risk management committee of the board of directors. These include: (i) updates on the progress of mitigation of key risks; and (ii) specific risk-related initiatives carried out during the year.

During the FY2017, the ERM team focused on mitigation of certain country risks, firming up cyber security-related controls and also conducted reviews of other execution and operating risks. Regarding financial risk management, the team helped to update the company's capital allocation and employment framework.

TABLE 2 CONSOLIDATED CASH FLOW ACCORDING TO IFRS (₹ MILLION)

PARTICULARS	FY2017	FY2016
Opening cash and cash equivalents	4,922	5,394
Cash flows from:		
(a) Operating activities	20,859	41,247
(b) Investing activities	(17,871)	(20,423)
(c) Financing activities	(3,641)	(17,001)
Effect of exchange rate changes	(490)	(4,296)
Closing cash and cash equivalents	3,779	4,921

TABLE 3 CONSOLIDATED WORKING CAPITAL (₹ MILLION)

PARTICULARS	FY2017	FY2016	CHANGE
Trade receivables (A)	38,065	41,306	(3,241)
Inventories (B)	28,529	25,578	2,951
Trade payables (C)	13,417	12,300	1,117
Working capital (A+B-C)	53,178	54,584	(1,406)
Other current assets (D)	33,782	52,804	(19,022)
Total current assets (A+B+D)	1,00,376	1,19,688	(19,312)
Short & long-term loans and borrowings, current portion (E)	43,736	22,828	20,908
Other current liabilities (F)	27,847	29,518	(1,671)
Total current liabilities (C+E+F)	85,000	64,646	20,354

TABLE 4 THE DEBT AND EQUITY POSITION (₹ MILLION)

PARTICULARS	AS ON 31 MARCH 2017	AS ON 31 MARCH 2016	CHANGE
Total shareholders' equity	1,24,044	1,28,336	(4,292)
Long-term debt (current portion)	110	110	0
Long-term debt (non-current portion)	5,449	10,685	(5,236)
Short-term borrowings	43,626	22,718	20,908
Total debt	49,185	33,513	15,672

HUMAN RESOURCES (HR)

One of the key focus areas for HR this year has been to foster productivity within our workforce through organization-redesign interventions. This has enabled us to delayer the organization, optimize costs, simplify structures and processes at all levels of the organization, thereby empowering our employees with the resources and autonomy to create impact.

During the FY2017, the ERM team focused on mitigation of certain country risks, firming up cyber security-related controls and also conducted reviews of other execution and operating risks.

We have also strengthened our approach towards an integrated talent management process with a specific focus on strengthening the leadership pipeline and creating a culture of continuous feedback. A detailed career development framework along with business units and career tracks by job families was created for all our employees. Managers were trained on conducting effective career conversations. Employees were encouraged to leverage this as an opportunity to introspect on their strengths, development areas and plot the next step in their careers with us.

A steady intake of entry level talent from premier engineering and management institutes remained a key priority for the year. We redesigned our learning offerings as complete experiences rather than one day workshops, with a focus on delivering learning interventions that impact both business and behaviour. We continue our flagship leadership development program (NHLP) for our senior leaders. This program delivered outstanding outcomes both in personal development and breakthrough business results.

We further strengthened our position as an employer of choice for women. We piloted a 'speed mentoring' program for women in mid management and conducted workshops on gender sensitization and unconscious biases. We were ranked number one in the 'Diversity in Corporate Asia' list issued by Carnstone. We were also conferred with the BengtLindqvist inclusive employer award for building an accessible workplace and encouraging differently abled employees within the company.

Our efforts at building a productive and diverse workplace have also enabled us to get recognized and certified as a great place to work.

OUTLOOK

In FY2017, our performance was affected due to multiple factors, such as:

a) Significant price erosion in our US business, primarily due to new competition and also rapid channel consolidation.
b) Delay in launch of our new products, specifically complex generics assets, due to incremental requirements, lack of clear guidelines/precedence from regulatory authorities for the approval of these products, plus the 'hold' on key product launches on account of the USFDA's warning letter of November, 2015.
c) Rapid decline of the Venezuela business and price erosions in India due to government interventions through price controls.
d) Decline in our PSAI business on account of lower off-take of key molecules.

While it is difficult to predict what the final decision the USFDA will take regarding our responses to the re-inspection of the three affected sites, we believe that our remedial actions regarding quality assurance and good manufacturing practices have been more than adequate and appropriate. We shall continue to focus on enhancing our quality systems and processes, across all our plants, and be even more proactive in identifying 'what can go wrong' and in taking preventive and corrective actions. All else being equal, we ought to be able to launch our new complex generics products and injectibles in FY2018.

That aside, we look forward to several new product launches in the US in FY2018. In addition, we are focusing on new launches in other geographies, especially in the Emerging Markets, Russia and CISR and in Europe. We also expect to optimize our biosimilar and oncology portfolio across multiple markets and generate higher growth.

We have built up an attractive pipeline of complex generics offerings and new Proprietary Product drugs. In FY2018 we will strive to leverage these across North America, Europe, Russia and CISR. In the last two geographies, we look forward to higher traction for our biosimilar offerings. We are also working on increasing our OTC offerings in the US, India and Russia. The PSAI business is expected to turn around.

Therefore, as we see it, despite the downturn in FY2017, we have reasons to be cautiously optimistic about our prospects in FY2018.

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.

FIVE YEARS AT A GLANCE

(₹ MILLION)

YEAR ENDING MARCH 31	2017	2016	2015	2014	2013
INCOME STATEMENT DATA					
Revenues	140,809	154,708	148,189	132,170	116,266
Cost of revenues	62,453	62,427	62,786	56,369	55,687
Gross profit	78,356	92,281	85,403	75,801	60,579
as a % of revenues	55.6	59.6	57.6	57.4	52.1
Operating expenses					
Selling, general and administrative expenses*	46,372	45,702	42,585	38,783	34,272
Research and development expenses	19,551	17,834	17,449	12,402	7,674
Other operating (income)/expenses, net	(1,065)	(874)	(917)	(1,416)	(2,479)
Total operating expenses	64,858	62,662	59,117	49,769	39,467
Operating income	13,498	29,619	26,286	26,032	21,112
as a % of revenues	9.6	19.1	17.7	19.7	18.2
Finance costs, net					
Finance income	1,587	2,251	2,774	1,674	1,478
Finance expenses	(781)	(4,959)	(1,092)	(1,274)	(1,018)
Finance (expense)/income, net	806	(2,708)	1,682	400	460
Share of profit of equity accounted investees, net of income tax	349	229	195	174	104
Profit before income tax	14,653	27,140	28,163	26,606	21,676
Income tax benefit/(expense)	(2,614)	(7,127)	(5,984)	(5,094)	(4,900)
Profit for the year	12,039	20,013	22,179	21,512	16,776
as a % of revenues	8.5	12.9	15.0	16.3	14.4
Earnings per share (₹)					
- Basic	72.2	117.3	130.2	126.5	98.8
- Diluted	72.1	117.0	129.7	126.0	98.4
Dividend declared per share (₹)	20.0	20.0	20.0	18.0	15.0
BALANCE SHEET DATA					
Cash and cash equivalents, net of bank overdraft	3,779	4,921	5,394	8,451	5,054
Operating working capital**	53,178	58,584	55,624	46,526	41,710
Total assets	219,821	207,650	194,762	170,223	142,369
Total long-term debt, excluding current portion	5,449	10,685	14,307	20,740	12,625
Total stockholders' equity	124,044	128,336	111,302	90,801	72,805
ADDITIONAL DATA					
Net cash provided by/(used in)					
Operating activities	21,513	41,247	25,033	19,463	13,317
Investing activities	(18,471)	(20,423)	(22,904)	(16,620)	(13,944)
Financing activities	(3,692)	(17,001)	(4,118)	(217)	(1,792)
Effect of exchange rate changes on cash	(492)	(4,296)	(1,068)	771	94
Expenditure on property, plant and equipment and intangibles	(40,984)	(14,875)	(15,327)	(10,627)	(7,336)

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	2017	2016	2015	2014	2013
PROFITABILITY RATIOS					
EBITDA margin %	18%	23%	24%	25%	24%
Gross margin %	56%	60%	58%	57%	52%
Global Generics	62%	66%	65%	66%	59%
PSAI	21%	22%	22%	20%	32%
Adjusted PAT* margin %	9%	13%	15%	16%	15%
ASSET PRODUCTIVITY RATIOS					
Fixed asset turnover	2.5	3.0	3.2	3.2	3.3
Total assets turnover	0.7	0.8	0.8	0.8	0.9
WORKING CAPITAL RATIOS					
Working capital days	204	193	198	188	157
Inventory days	160	149	145	152	131
Debtors days	96	99	95	86	85
Creditor days	51	55	42	50	59
GEARING RATIOS					
Net debt/Equity	0.25	(0.05)	0.03	0.12	0.20
VALUATION RATIOS					
Earnings per share (₹)	72.1	117.0	129.7	126.0	98.4
Book value per share (₹)	743	750	651	532	427
Dividend payout	27.7%	17.1%	15.4%	14.3%	15.2%
Trailing price/Earnings ratio	36.5	25.9	26.9	20.3	17.9

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 inventory/Cost of revenue 365*

(5) Receivable day: Average trade receivables/Turnover 365*

(6) Payable days: Average trade payables/Cost of revenue 365*

(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 non-cash impairment charge and other non-recurring costs*

All figures are based on IFRS consolidated financial statements.

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. The company'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 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 of internal controls, risk management and financial reporting.
- Protection and facilitation of shareholders' rights.
- Adequate, timely and accurate disclosure of all material operational and financial information to stakeholders.

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

This chapter, together with information given in the *management discussion and analysis* and *additional shareholders' information*, constitute Dr. Reddy's report on corporate governance for FY2017.

BOARD OF DIRECTORS

COMPOSITION

As on 31 March 2017, the board of Dr. Reddy's had 10 directors, comprising (i) two executive directors, including the chairman of the board, and (ii) eight independent directors as defined under the Companies Act, 2013, the Listing Regulations and the Corporate Governance Guidelines of the NYSE Listed Company Manual. Their detailed profiles are 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

TABLE 1 COMPOSITION OF DR. REDDY'S BOARD AND OTHER DIRECTORSHIPS HELD AS ON 31 MARCH 2017

NAME	POSITION	RELATIONSHIP WITH OTHER DIRECTORS	DATE OF JOINING	DIRECTORSHIP UNDER SECTION 165 OF THE COMPANIES ACT, 2013		OTHER DIRECTORSHIP[1]	COMMITTEE MEMBERSHIP[2]	COMMITTEE CHAIRMANSHIP[2]
				PUBLIC COMPANIES	PRIVATE COMPANIES			
Mr. K Satish Reddy[3]	Chairman	Brother-in-law of Mr. G V Prasad	18 January 1993	10	6	25	1	-
Mr. G V Prasad	Co-Chairman, Managing Director and CEO	Brother-in-law of Mr. K Satish Reddy	8 April 1986	9	4	13	1	-
Dr. Omkar Goswami	Independent Director	None	30 October 2000	10	2	-	8	1
Mr. Anupam Puri	Independent Director	None	4 June 2002	4	-	1	2	-
Ms. Kalpana Morparia	Independent Director	None	5 June 2007	2	1	1	2	1
Dr. Bruce L A Carter	Independent Director	None	21 July 2008	2	-	5	1	-
Dr. Ashok S Ganguly	Independent Director	None	23 October 2009	2	1	-	-	-
Mr. Sridar Iyengar	Independent Director	None	22 August 2011	4	2	4	-	4
Mr. Bharat N Doshi	Independent Director	None	11 May 2016	5	1	3	2	1
Mr. Hans Peter Hasler	Independent Director	None	17 June 2016	1	-	5	-	-

(1) *Other directorships are those, which are not covered under section 165 of the Companies Act, 2013.*
(2) *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 those under section 8 of the Companies Act, 2013 have been excluded. Membership/chairmanship of our nomination, governance and compensation committee; science, technology and operations committee; corporate social responsibility committee; banking and authorizations committee and risk management committee are also excluded.*
(3) *Mr. K Satish Reddy has been re-appointed as a whole-time director designated as chairman for a further period of five years by the board of directors at a meeting held on 12 May 2017, effective from 1 October 2017, subject to the approval of shareholders.*
(4) *None of the independent directors serves as an independent director in more than seven listed companies.*

FY2017 represents fiscal year 2016-17 from 1 April 2016 to 31 March 2017, and analogously for FY2016 and previously such labeled years.

views 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 regularly reviews the company's governance, risk and compliance framework, business plans, and organization structure to align with the highest global standards.

Each director informs the company on an annual basis about the board and board committee positions she/he occupies in other companies, and notifies it of any changes regarding their directorships. In addition, the independent directors provide an annual confirmation that they meet the criteria of independence as defined under Indian laws. **Table 1** gives the composition of Dr. Reddy's board, with all relevant details.

TERM OF BOARD MEMBERSHIP

The board, on 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 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. Moreover, independent directors cannot retire by rotation. Accordingly, all independent directors of Dr. Reddy's were appointed as such for terms ranging from one to five years at the 30th annual general meeting of the company. The term of Dr. Ashok S Ganguly, an independent director, ends at the forthcoming 33rd annual general meeting on 28 July 2017.

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 do so every year and be eligible for re-appointment, if approved by the shareholders. Mr. G V Prasad, whole-time director, retires by rotation at the forthcoming annual general meeting and, being eligible, seeks re-appointment. Additionally, the board of directors at its meeting held on 12 May 2017 re-appointed Mr. K Satish Reddy as whole-time director designated as the chairman of the company. Thus, in the forthcoming annual general meeting, approval of shareholders is being sought for:

i. Re-appointment of Mr. K Satish Reddy, as whole-time director designated as the chairman, for a period of five years with effect from 1 October 2017.
ii. Re-appointment of Mr. G V Prasad, who retires by rotation and, being eligible, offers himself for re-appointment.

SELECTION AND APPOINTMENT OF NEW DIRECTORS

Induction of any new member on the board is the responsibility of the nomination, governance and compensation committee of the board, which consists entirely of independent directors. Given the existing composition of the board, the need for new domain expertise is reviewed by this committee. When such a need becomes apparent, the committee reviews potential candidates in terms of their expertise, attributes, personal and professional backgrounds and their ability to attend meetings in India. It then places the details of shortlisted candidates to the board for its consideration. If the board approves, the person is appointed as an additional director, subject to the approval of shareholders in the company's next general meeting.

FAMILIARIZATION PROCESS FOR INDEPENDENT DIRECTORS

To familiarize a new independent director with the company, an information kit containing documents about the company – such as its annual reports, sustainability reports, investor presentations, recent press releases, research reports and the memorandum and articles of association – is provided. The new independent director individually meets with board members and senior management. Visits to plants are also organized for the person to understand the company's operations.

Dr. Reddy's believes that the board should be continuously empowered with knowledge of the latest developments affecting the company and the industry. Apart from regular presentations on the company's business strategies and associated risks, expositions are made on various topics covering the pharmaceutical industry. Updates on relevant statutory changes and judicial pronouncements around industry-related laws are regularly circulated to the directors. They also visit the company's manufacturing and research locations. Each director has complete access to any company information and full freedom to interact with senior management.

Details of the familiarization programs for independent directors are available on the company's website: www.drreddys.com/media/504283/familliarization-process-2017.pdf

LETTER OF APPOINTMENT

Upon their appointment, independent directors are given a formal appointment letter containing, *inter alia*, the term of appointment, roles, function, duties and responsibilities, the company's code of conduct, disclosures and confidentiality. For such terms and conditions, see: www.drreddys.com/investor/governance/policies-and-documents/terms-condition-directors.html

BOARD EVALUATION

The board carries out an annual evaluation of its performance, as well as the working of its committees. On two such occasions, an independent expert was engaged to conduct the evaluation process. For the annual internal evaluation, each director completes a questionnaire that involves peer evaluation and feedback on the processes of the board and its committees. The contribution and impact of individual members is evaluated on a number of parameters, such as level of engagement, independence of judgment, conflicts resolution and contributions to enhance the board's overall effectiveness. Peer ratings on certain parameters, positive attributes and improvement areas for each director are provided to them on a confidential basis.

DIRECTORS' SHAREHOLDING IN THE COMPANY

Table 2 gives details of shares held by the directors as on 31 March 2017.

MEETINGS OF THE BOARD

The company plans and prepares the schedule of the board and board committee meetings eighteen to twenty four months in advance. The schedule of meetings and their agendas are finalized in consultation with the chairman of the board and committee chairpersons.

Agendas 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 120 days between two board meetings.
Dr. Reddy's board met four times during the financial year under review: on 12 May 2016, 26 July 2016, 25 October 2016 and 4 February 2017. Details of directors' attendance at board meetings and the annual general meeting are given in **Table 3**.

The board and its committee meetings at Dr. Reddy's typically comprise structured two-day sessions.

TABLE 2 SHARES HELD BY DIRECTORS AS ON 31 MARCH 2017

NAME	NO. OF SHARES/ADRs HELD
Mr. K Satish Reddy[(1)]	1,310,332
Mr. G V Prasad[(1)]	1,344,640
Dr. Omkar Goswami	22,800
Mr. Anupam Puri (ADRs)	13,500
Ms. Kalpana Morparia	10,800
Dr. Bruce L A Carter (ADRs)	7,800
Dr. Ashok S Ganguly	4,800
Mr. Sridar Iyengar	-
Mr. Bharat N Doshi	1,000
Mr. Hans Peter Hasler	-

(1) *APS Trust owns 83.11% of Dr. Reddy's Holdings Limited, which in turn owns 40,627,000 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 FOR DR. REDDY'S BOARD MEETINGS AND THE AGM IN FY2017

NAME	MEETINGS HELD IN DIRECTOR'S TENURE	NUMBER OF BOARD MEETINGS ATTENDED	ATTENDANCE IN LAST AGM ON 27 JULY 2016
Mr. K Satish Reddy	4	4	Present
Mr. G V Prasad	4	4	Present
Dr. Omkar Goswami	4	4	Present
Mr. Ravi Bhoothalingam*	2	1[(1)]	Present
Mr. Anupam Puri	4	4	Present
Ms. Kalpana Morparia	4	4	Present
Dr. Bruce L A Carter	4	4	Present
Dr. Ashok S Ganguly	4	4	Present
Mr. Sridar Iyengar	4	4	Present
Mr. Bharat N Doshi**	4	4	Present
Mr. Hans Peter Hasler***	3	3	Present

(1) *Was given leave of absence on request.*
* *Term ended on 27 July 2016 as an independent director.*
** *Appointed with effect from 11 May 2016 as an independent director.*
*** *Appointed with effect from 17 June 2016 as an independent director.*

INFORMATION GIVEN TO THE BOARD

Among others, the company provides the following information to the board and its committees.

- 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 Chief Financial Officer and the Company Secretary.
- Significant regulatory matters concerning Indian or foreign regulatory authorities.
- Issues which involve 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 and 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 the 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, significant transactions and investments.
- Significant transactions and arrangements.

POST-MEETING FOLLOW-UP MECHANISM

Important decisions taken by the board and its committees are promptly communicated to the concerned departments or divisions. Action taken/ status reports on decisions of the previous meeting(s) are placed at the next meeting(s) for information and further recommended actions, if any.

MEETINGS OF INDEPENDENT DIRECTORS

During FY2017, the independent directors of Dr. Reddy's met four times in executive sessions without the presence of executive directors and other members of management. The company is ready to facilitate more such sessions as and when required by the independent directors. During these meetings, the independent directors reviewed the performance of the company and its senior management, that of the chairman and the board, corporate strategy, risks, competition and succession planning for the board and senior management.

ANNUAL BOARD RETREAT

During FY2017, the annual board retreat was organized at Tarrytown, New York, US on 28-30 September 2016, where the board conducted a detailed strategy review of the company's business segments and 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 is enclosed as **Annexure A** to this chapter. It lays down principles and parameters to ensure that remunerations are competitive, reasonable and in line with corporate and individual performance.

Executive directors are appointed by shareholders' resolution for a period of five years. No severance fee is payable to them. Except the commission payable, all other components of remuneration to the executive directors are fixed in line with the company's policies. Their annual remuneration, including commission based on net profits of the company, is recommended by the nomination, governance and compensation committee to the board for its consideration. The committee also takes into account corporate performance in a given year and the KPIs. The remuneration are within the limits approved by the shareholders. Perquisites and retirement benefits are paid in accordance with the company's compensation policies, as applicable to all employees.

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. Such remuneration, including commission payable, is in conformity with the provisions of the Companies Act, 2013 and has been considered and approved by the board and the shareholders. The company, in compliance with section 197 of the Companies Act, 2013 and the Listing Regulations, has not granted any stock options to independent directors since FY2013. Remuneration paid or payable to the directors for FY2017 is given in **Table 4.**

INDEPENDENT DIRECTORS

Independent directors of Dr. Reddy's head the following governance and/or board committee functions:

- Mr. Anupam Puri: Governance, corporate strategy and lead independent director.
- Dr. Bruce L A Carter: The science, technology and operations committee.
- Dr. Ashok S Ganguly: The nomination, governance and compensation committee.
- Mr. Sridar Iyengar: The audit committee, and all financial and audit matters that fall under the remit of the committee plus being the ombudsperson for the company's whistle blower policy.

TABLE 4 REMUNERATION PAID OR PAYABLE TO THE DIRECTORS FOR FY2017 (₹ '000)

NAME	SALARIES	PERQUISITES[1]	COMMISSION[2]	TOTAL
Mr. K Satish Reddy	6,315	3,121	63,000	72,436
Mr. G V Prasad	18,515	4,225	75,000	97,740
Dr. Omkar Goswami	-	-	8,370	8,370
Mr. Ravi Bhoothalingam[3]	-	-	4,350	4,350
Mr. Anupam Puri	-	-	9,755	9,755
Ms. Kalpana Morparia	-	-	9,030	9,030
Dr. Bruce L A Carter	-	-	8,766	8,766
Dr. Ashok S Ganguly	-	-	8,370	8,370
Mr. Sridar Iyengar	-	-	9,095	9,095
Mr. Bharat N Doshi[4]	-	-	9,689	9,689
Mr. Hans Peter Hasler[4]	-	-	6,657	6,657

(1) *Perquisites include medical reimbursement for self and family according to the rules of the company, leave travel assistance, personal accident insurance, company's vehicles 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.*

(2) *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 ₹ 5,404,620 (US$ 82,000) per independent director; a specific commission of ₹ 1,318,200 (US$ 20,000) to the chairman of the audit committee; ₹ 988,650 (US$ 15,000) to the chairperson of science, technology and operations committee; the nomination, governance and compensation committee; the risk management committee; the corporate social responsibility committee; and the stakeholders' relationship committee; ₹ 659,100 (US$ 10,000) to the other members of the committees; ₹ 1,318,200 (US$ 20,000) to the lead independent director; ₹ 329,550 (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 ₹ 98,865 (US$ 1,500) per meeting was paid towards foreign travel of the directors.*

(3) *Remuneration for part of the year, the term as an independent director ended on 27 July 2016.*

(4) *Remuneration for part of the year, appointed as an independent director during FY2017.*

(5) *Apart from receiving the above remuneration, the non-executive directors do not have any pecuniary relationship or transaction with the company.*

- Ms. Kalpana Morparia: The stakeholders' relationship committee.
- Dr. Omkar Goswami: The risk management committee, financial risk management, subsidiary finances and compliance with Section 404 of the US Sarbanes-Oxley Act, 2002.
- Mr. Ravi Bhoothalingam (term ended on 27 July 2016): The corporate social responsibility committee, compliance and ombudsperson for the whistle blower policy.
- Mr. Bharat N Doshi (from 12 May 2016): The corporate social responsibility committee.

COMMITTEES OF THE BOARD

Dr. Reddy's has seven board-level committees, whose details are given below.

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 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 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 the company and its 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 the whistle blower mechanism.
- Review the implementation of applicable provisions of the Sarbanes-Oxley Act, 2002.
- Scrutinize inter-corporate loans and investments.
- Examine the valuation of undertakings or assets of the company, wherever necessary.
- Evaluate internal financial controls.
- Review 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 Mr. Sridar Iyengar (chairman), Ms. Kalpana Morparia, Dr. Omkar Goswami and Mr. Bharat N Doshi.

The audit committee met five times during the year: on 5 April 2016, 11 May 2016, 26 July 2016, 24 October 2016 and 3 February 2017. It also met the key members of the finance team and the 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 the statutory auditors without the presence of the management. In addition, the chairman of the 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 successive audit committee meetings. **Table 5** gives the composition and attendance record of the audit committee.

The chairman, CFO and the chief internal auditor are permanent invitees to all the audit committee meetings. The company's statutory auditors are also present. The company secretary officiates as the secretary of the committee.

Audit committee meetings are generally preceded by pre-audit committee conference calls with the members, the CFO, the internal audit and compliance teams, external auditors and other key finance personnel of 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 findings and updates 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. Permissible non-audit related services undertaken by the statutory auditors are also pre-approved by the committee.

The report of the committee is enclosed as **Exhibit 1** to this chapter.

NOMINATION, GOVERNANCE AND COMPENSATION COMMITTEE

The nomination, governance and compensation committee also entirely consists of independent directors. Its primary functions 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 senior employees and on board-level 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 Dr. Reddy's is at the forefront of good governance practices.

- Regularly examine ways to strengthen organizational health, by improving hiring, retention, motivation, development, deployment and behavior of the 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 organization, 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 organization structure, talent management, leadership, succession, diversity, performance appraisals, increments, performance bonus recommendations and other HR matters.

The committee met four times during the year: on 11 May 2016, 26 July 2016, 24 October 2016 and 3 February 2017. The co-chairman, managing director and CEO is a permanent invitee to all such committee meetings. The head of HR is the secretary of the committee. **Table 6** gives the composition and attendance record of the committee; and the report of the committee is enclosed as **Exhibit 2** to this chapter.

SCIENCE, TECHNOLOGY AND OPERATIONS COMMITTEE

The science, technology and operations committee of the board also entirely comprises 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 and interaction with academic and other external research organizations.
- Assist the board and management to stay abreast of novel scientific and technological developments and innovations; anticipate emerging concepts and trends in therapeutic research and development; and be assured that the company is making well-informed choices in committing its resources.
- Assist the board and 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 organization in line with the company's business strategy.

The co-chairman, managing director and CEO is a permanent invitee to all such committee meetings. Officials heading IPDO, proprietary products and biologics are secretaries to the committee with regard to their respective businesses.

The committee met four times during the year: on 11 May 2016, 26 July 2016, 24 October 2016 and 3 February 2017. **Table 7** gives the composition and attendance record of the committee. The report of the committee is enclosed as **Exhibit 3** to this chapter.

RISK MANAGEMENT COMMITTEE

The risk management committee also consists entirely of independent directors. Its key functions are to:

- Discuss with senior management of Dr. Reddy's enterprise risk management (ERM) and provide such oversight as may be needed.
- Ensure that it is apprised of the more significant risks along with mitigating action.
- Review risk disclosure statements in any public documents or disclosures, where applicable.

The company has in place an enterprise-wide risk management system. The risk management committee of the board oversees and reviews the risk management framework as well as the assessment of risks, their management and mitigation 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.

The chairman, COO and the CFO are permanent invitees to all risk management committee meetings. The CFO acts as the secretary of the committee. The committee met thrice during the year: on 11 May 2016, 24

TABLE 5 AUDIT COMMITTEE MEMBERSHIP AND ATTENDANCE IN FY2017

COMMITTEE MEMBERS	POSITION	MEETINGS HELD IN THE DIRECTOR'S TENURE	MEETINGS ATTENDED
Mr. Sridar Iyengar	Chairman	5	5
Mr. Ravi Bhoothalingam*	Member	3	3
Ms. Kalpana Morparia	Member	5	5
Dr. Omkar Goswami	Member	5	5
Mr. Bharat N Doshi**	Member	4	4

* *Term ended on 27 July 2016 as an independent director.*
** *Appointed as member of the committee with effect from 11 May 2016.*

TABLE 6 NOMINATION, GOVERNANCE AND COMPENSATION COMMITTEE MEMBERSHIP AND ATTENDANCE IN FY2017

COMMITTEE MEMBERS	POSITION	MEETINGS HELD IN THE DIRECTOR'S TENURE	MEETINGS ATTENDED
Dr. Ashok S Ganguly	Chairman	4	4
Mr. Anupam Puri	Member	4	4
Mr. Ravi Bhoothalingam*	Member	2	1(1)
Ms. Kalpana Morparia	Member	4	4
Mr. Bharat N Doshi**	Member	4	4

(1) *Was given leave of absence on request.*
* *Term ended on 27 July 2016 as an independent director.*
** *Appointed as member of the committee with effect from 11 May 2016.*

October 2016 and 3 February 2017. **Table 8** gives the composition and attendance record of the committee; and the committee's report is presented as **Exhibit 4** to this chapter.

STAKEHOLDERS' RELATIONSHIP COMMITTEE

The stakeholders' relationship committee is empowered to perform the functions of the board relating to handling queries and grievances of security holders. 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 committee consists of four directors, including the two executive directors. The chairperson is an independent director. The committee met four times during the year: on 11 May 2016, 26 July 2016, 25 October 2016 and 4 February 2017. **Table 9** gives the composition and attendance record of the committee; and its report is given as **Exhibit 5** to this chapter

The company secretary officiates as the secretary of the committee and is also designated as the compliance officer in terms of Listing Regulations. An analysis of investor queries and complaints received and responded/ addressed during the year is given in the chapter on *additional shareholders' information*.

CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

The committee consists of three directors, including the two executive directors. The chairman is an independent director. The CSR committee's 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 monitor their progress.
- Monitor implementation and adherence to the CSR policy of the company from time to time.

The CSR committee met four times during the year: on 12 May 2016, 26 July 2016, 14 November 2016 and 4 February 2017. The head of CSR officiates as the secretary of the committee. **Table 10** gives the composition and attendance record of the committee; its report is given as **Exhibit 6** to this chapter.

BANKING AND AUTHORIZATIONS COMMITTEE (FORMERLY THE MANAGEMENT COMMITTEE)

The banking and authorizations committee allows executive directors and selected 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. It consists of two executive directors; and it met five times during the year: on 5 April 2016, 12 May 2016, 26 July 2016, 25 October 2016 and 4 February 2017. The company secretary officiates as the secretary of the committee.

During the year, the investment committee of the board of directors ceased to exist. The board approves the annual capex budget in line with the company's long term strategy. A new governance structure has been put in place in form of an internal management committee which approves all capex investments within the annual capex budget approved by the board. An update on key capex approvals granted by the internal management committee is generally provided to the board periodically.

OTHER BOARD MATTERS

COMPLIANCE REVIEWS

Dr. Reddy's has a full-fledged team and an identified head of compliance to oversee compliance activities. The company's compliance status is periodically updated to the senior management team including the CEO, the COO and the CFO; and presentations are given in the quarterly audit committee and risk management committee meetings. When pertinent, these are also shared with all board members.

CODE OF BUSINESS CONDUCT AND ETHICS

Dr. Reddy's has adopted a code of business conduct and ethics (the 'code'), which applies to all directors and employees, 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 7** to this chapter.

The company has an ombudsperson policy (whistle blower or vigil mechanism) to report concerns on actual or suspected violations of the code. An independent

TABLE 7 SCIENCE, TECHNOLOGY AND OPERATIONS COMMITTEE MEMBERSHIP AND ATTENDANCE IN FY2017

COMMITTEE MEMBERS	POSITION	MEETINGS HELD IN THE 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
Mr. Hans Peter Hasler*	Member	3	3

* *Appointed as member of the committee with effect from 26 July 2016.*

TABLE 8 RISK MANAGEMENT COMMITTEE MEMBERSHIP AND ATTENDANCE IN FY2017

COMMITTEE MEMBERS	POSITION	MEETINGS HELD IN THE DIRECTOR'S TENURE	MEETINGS ATTENDED
Dr. Omkar Goswami	Chairman	3	3
Dr. Bruce L A Carter	Member	3	3
Mr. Sridar Iyengar	Member	3	3
Mr. Hans Peter Hasler*	Member	2	2

* *Appointed as member of the committee with effect from 26 July 2016.*

director is the chief ombudsperson. Complaints and reports submitted to the company and their resolution are reported through the ombudsperson to the audit committee and, where applicable, to the board. During FY2017, no personnel has been denied access to the audit committee chairman on ombudsperson issues. The code of business conduct and ethics and ombudsperson policy (whistle blower policy) are available on the company's website. See: www.drreddys.com/ investors/governance/code-of-business-conduct-and athics-cobe_booklet. pdf-of-business-conduct-and-ethics-cobe.aspx and www.drreddys.investors/ governance/ombudsperson-policy

RELATED PARTY TRANSACTIONS

The company has adequate procedures to identify and monitor 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. All related party transactions are 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 2.22 to the standalone financial statements. The company's policy on materiality of related party transactions is available on the company's website: www.drreddys. com/investor/ governance/policies-and-documents/ policy-materiality-related-party-transactions.html

SUBSIDIARY COMPANIES

The audit committee reviews the financial statements of Dr. Reddy's subsidiary companies. It also reviews the investments made by such companies, the statement of all significant transactions and arrangements entered into by subsidiaries and the compliances of each materially significant subsidiary on a periodic basis. The minutes of board meetings of the subsidiary companies are placed before the board of Dr. Reddy's for review. The company's policy for determining material subsidiaries is available on the company's website: www.drreddys.com/investor/ governance/policies-and-documents/ policy-determining-material-subsidiaries. html.

None of the Indian subsidiaries 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 FY2017, there is no treatment of any transaction which is different from that prescribed in the Indian Accounting Standards (Ind-AS) notified by the Government of India under section 133 of the Companies Act, 2013 read with rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Indian Accounting Standards) Rules, 2015, as amended by the Companies (Indian Accounting Standards) (Amendment) Rules, 2016, the guidelines issued by SEBI and other accounting principles generally accepted in India.

TABLE 9 STAKEHOLDERS' RELATIONSHIP COMMITTEE MEMBERSHIP AND ATTENDANCE IN FY2017

COMMITTEE MEMBERS	POSITION	MEETINGS HELD IN THE DIRECTOR'S TENURE	MEETINGS ATTENDED
Ms. Kalpana Morparia	Chairperson	4	4
Mr. Ravi Bhoothalingam*	Member	2	2
Mr. Bharat N Doshi**	Member	3	3
Mr. G V Prasad	Member	4	4
Mr. K Satish Reddy	Member	4	4

* *Term ended on 27 July 2016 as an independent director.*
** *Appointed as member of committee with effect from 12 May 2016.*

TABLE 10 CORPORATE SOCIAL RESPONSIBILITY COMMITTEE MEMBERSHIP AND ATTENDANCE IN FY2017

COMMITTEE MEMBERS	POSITION	MEETINGS HELD IN THE DIRECTOR'S TENURE	MEETINGS ATTENDED
Mr. Bharat N Doshi*	Chairman	3	3
Mr. Ravi Bhoothalingam**	Member	2	1(1)
Mr. K Satish Reddy	Member	4	4
Mr. G V Prasad	Member	4	3(1)

(1) *Was given leave of absence on request.*
* *Appointed as member of committee with effect from 12 May 2016 and as its chairman on 27 July 2016.*
** *Term ended on 27 July 2016 as an independent director.*

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 risks in the business and ensures safe, sound and efficient operation. These are internally supervised and monitored through the company's management council (MC).

MANAGEMENT COUNCIL (MC)

Dr. Reddy's MC consists of senior management from the business and corporate functions. Page no. 20-21 of this annual report gives details of the members of the MC. Apart from monthly meetings, the MC meets once a quarter for two-day sessions. Background notes for the monthly and quarterly meetings are circulated in advance. Listed below are some of the key issues that were considered by the MC during the year under review:

- The 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 alliance proposals and organizational design.

MANAGEMENT DISCUSSION AND ANALYSIS

See the chapter of the annual report entitled *management discussion and analysis*.

MANAGEMENT DISCLOSURES

Senior management of the company (at the level of senior director and above, as well as certain identified key employees) make annual disclosures to the board on 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) of the USA. Necessary procedures have been laid down for directors, officers and employees for trading in the securities of the company. These are periodically communicated to such employees who are considered as insiders of the company. Apart from this, regular insider trading awareness sessions are conducted for the benefit of employees. Trading window closure/ blackouts/quiet periods, when the directors and employees are not permitted to trade in the securities of the company, are intimated in advance to all concerned.

INTERNAL CONTROL SYSTEMS AND STATUTORY AUDITS

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 performance of the company. The board periodically reviews the findings and recommendations of the statutory and internal auditors and suggests corrective actions whenever necessary.

INTERNAL CONTROLS

Dr. Reddy's 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 organization 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 the 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 the presence of management.

CEO AND CFO CERTIFICATION

A certificate of the co-chairman, managing director and CEO as well as the CFO 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 FY2017, M/s. S R Batliboi & Associates LLP, chartered accountants, audited the financial statements prepared under the Indian Accounting Standards. 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 – both face-to-face and via conference calls. Remedial measures suggested by the auditors and the audit committee have been either implemented or taken up for implementation by management.

AUDITORS' FEES

During FY2017, the company paid ₹ 12 million to M/s. S R Batliboi & Associates LLP, chartered accountants, the statutory auditors as audit fees. It also paid ₹ 1 million as fees for non-audit services performed by them.

The company also paid ₹ 0.55 million and ₹ 0.60 million to M/s. B S R & Co. LLP, chartered accountants, the erstwhile statutory auditors for limited review of the company's unaudited financial statements for the quarter ended 30 June 2016 and for other services respectively, during FY2017.

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 the company's website: 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 company's operations is the company's website: www.drreddys.com. All official news releases and presentations made to institutional investors and analysts are posted here. It contains a separate dedicated investors section where the information for shareholders is available. The webcast of the proceedings of the annual general meeting is also made available on the website.

4. **Annual report:** The company's annual report containing, *inter alia*, the board's report, the corporate governance report, the business responsibility report, management discussion and analysis (MD&A), 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 made at the AGM is made available on the company's website.

6. **Reminder to investors:** Reminders to cash 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 portals. In addition, such disclosures and communications are also sent to the NYSE and filed with US SEC.

TABLE 11 DETAILS OF COMMUNICATION MADE DURING FY2017

MEANS OF COMMUNICATION	FREQUENCY
Press releases statements	19
Earnings calls	4
Publication of results	4

8. **Designated exclusive email-ID:** Dr. Reddy's has designated an email-ID exclusively for investor services: shares@drreddys.com.

9. **Register to receive electronic communications:** Dr. Reddy's has provided an option to the shareholders to register their email-ID online through the company's website to receive electronic communications. Shareholders who wish to receive electronic communications may register at www.drreddys.com/investors/investor-services/shareholder-information.aspx

10. **Disclosures:** The company has a policy on the determination of materiality for disclosure of certain events.

ADDITIONAL INFORMATION IN TERMS OF REGULATION 36(3) OF THE LISTING REGULATIONS, ON DIRECTORS SEEKING RE-APPOINTMENT AT THE ENSUING ANNUAL GENERAL MEETING

MR. G V PRASAD

Mr. G V Prasad (aged 56 years) leads the core team that drives the growth and performance at Dr. Reddy's. He has played a key role in the evolution of Dr. Reddy's from a mid-sized pharmaceutical company into a globally respected pharmaceutical major. Mr. Prasad is credited as the architect of Dr. Reddy's successful Global Generics (GG) and Active Pharmaceutical Ingredients (API) strategies, as well as the company's foray into biosimilars, Proprietary Products and differentiated formulations. 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. He was listed in the prestigious Medicine Maker 2017 Power List of the most inspirational professionals shaping the future of drug development, and one of India's Greatest 50 CEOs ever by Outlook.

Mr. Prasad joined the company's board in 1986 and became its vice-chairman & CEO in 2001, when Cheminor Drugs Limited, the company of which he was then the managing director, merged with Dr. Reddy's. He was re-appointed as whole-time director designated as co-chairman, managing director and CEO of the company at the 32nd AGM of the members held on 27 July 2016, for a period of five years commencing 30 January 2016 to 29 January 2021, liable to retire by rotation. He retires by rotation at the 33rd AGM of the company and, being eligible, offers himself for re-appointment.

He has a Bachelor degree in Chemical Engineering from Illinois Institute of Technology, Chicago and an M.S. in Industrial Administration from Purdue University, Indiana.

Mr. Prasad is also a director on the boards of: Green Park Hotels and Resorts Limited, Stamlo Industries Limited, Dr. Reddy's Holdings Limited, Molecular Connections 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, Andhra Pradesh State Skill Development Corporation and the 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 the nomination and remuneration committee and the corporate social responsibility committee of Aurigene Discovery Technologies Limited.

He holds 1,344,640 equity shares in the company.

Except Mr. Prasad and Mr. K Satish Reddy and their relatives, none of the other directors or 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 (retiring by rotation) at the ensuing annual general meeting.

MR. K SATISH REDDY

Mr. K Satish Reddy (aged 50 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 an executive director responsible for manufacturing and new product development. In 1997, he was appointed as managing director. In the mid-1990s, as the company prepared for its global foray, he 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 Dr. Reddy's entry into international Emerging Markets, especially Russia.

Mr. Reddy was re-appointed as whole-time director designated as managing director and chief operating officer for a period of five years commencing on 1 October 2012. After the demise of the company's founder, 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.

The board of directors of Dr. Reddy's, at its meeting on 12 May 2017, approved the re-appointment of Mr. K Satish Reddy as whole-time director designated as chairman of the company for a further period of five years, commencing from 1 October 2017 to 30 September 2022.

Mr. Reddy is also a director on the boards of: Green Park Hotels and Resorts Limited, Stamlo Industries 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 membership of Dr. Reddy's, he is not a committee chairman or a member of any other public limited company.

Mr. Reddy holds 1,310,332 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 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 the SEC, must make its US investors aware of significant ways in which its corporate governance practices differ from those required of domestic companies under NYSE listing standards. A detailed analysis of this is available on the company's website: www.drreddys.com.

COMPLIANCE REPORT ON DISCRETIONARY REQUIREMENTS UNDER REGULATION 27(1) OF THE 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 the household of each shareholder in FY2017. However, in addition to displaying its quarterly and half-yearly results on its website: www.drreddys.com and publishing in widely circulated newspapers, the quarterly financial results were sent, if asked for, to the registered email addresses of 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 has separate posts 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.

5. **Reporting of internal audit:** The chief internal auditor regularly updates the audit committee on internal audit findings at the committee's meetings and conference calls.

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 rupees fifty lakhs 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 organization 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 organization, 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 organizations.
   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 organization 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 organizational 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 organization'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 organization 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 organization.

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

REPORT OF THE AUDIT COMMITTEE

To the shareholders of Dr. Reddy's Laboratories Limited

The audit committee of the board of directors consists of four 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 FY2017, 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. The audit committee provides at each of its meetings an opportunity for internal and external auditors to meet privately with the members of the committee, without the presence of management.

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. S R Batliboi & Associates LLP, chartered accountants, the company's statutory 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 accounting standards (Ind-AS) 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. In conducting such reviews, the committee found no material discrepancy or weakness in the company's internal control systems.

During the year, the committee also reviewed the following:

a) Non-audit services being provided by the statutory auditors and concluded that such services were not in conflict with their independence;
b) Structure of the internal audit function and the 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 personnel 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 of Dr. Reddy's Laboratories Limited for the year ended 31 March 2017 prepared as per Indian Accounting Standards 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 the International Accounting Standards Board for the year ended 31 March 2017 be accepted by the board and be 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:

- Ratification of appointment of M/s. S R Batliboi & Associates LLP, chartered accountants as statutory auditors under Indian GAAP from the conclusion of the forthcoming AGM till conclusion of AGM in 2018, in line with the approval of the shareholders in the 32nd AGM;
- Re-appointment of KPMG, India as independent auditors for IFRS for the fiscal year ending 31 March 2018; and
- Appointment of the secretarial auditor and cost auditor.

Sridar Iyengar
Chairman, Audit Committee

Place: Hyderabad
Date: 11 May 2017

EXHIBIT 2

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 four 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:

- 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 organizational design, and recommend changes as necessary;
- Review and recommend 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. And, 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 MC, KMPs and their remuneration.
  - Review the company's ESOP schemes and oversee its administration.

As on 31 March 2017, the company had 418,283 outstanding stock options, which amounts to 0.25% of the total equity capital. These options are held by 625 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 stock options are exercisable at par value i.e. ₹ 5/-.

The committee also devoted considerable time discussing the organization's structure, design, gender diversity, succession planning for critical positions within the company and compensation for key managerial personnel and senior management. It also reviewed the company's system for hiring, developing and retaining talent.In addition to setting the board evaluation parameters, the committee also recommended to the board the induction of new directors, 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 2017

EXHIBIT 3

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 four 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:

- 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 and interaction with academic and other outside research organizations.
- Assist the board and management to stay abreast of novel scientific and technological developments and innovations and anticipate emerging concepts and trends in therapeutic research and development, to help the company to make well-informed choices in committing its resources.
- Assist the board and the management in the 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 organization in tune with its business strategy.

The committee met four times during the financial year and appraised the board of key discussions and recommendations made at such meetings.

Dr. Bruce L A Carter
Chairman, Science, Technology and Operations Committee

Place: Hyderabad
Date: 11 May 2017

EXHIBIT 4
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 four 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 action the management is taking and how it is ensuring effective enterprise risk management (ERM).
- Review risk disclosure statements in any public documents or disclosures.

The committee met thrice during the financial year to review the status of the mitigation of key business and financial risks, risk management initiatives, evaluate residual risk thereof and recommend interventions from time to time. It also appraised the board of key discussions and recommendations made at such meetings and shared information on enterprise wide risks.

Dr. Omkar Goswami
Chairman, Risk Management Committee

Place: Hyderabad
Date: 11 May 2017

EXHIBIT 5
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 believes that its primary responsibilities are to:

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

The committee met four times during the financial year. It also reviewed the functioning of the company's secretarial and investor relations functions. It appraised the board of key discussions and recommendations made at such committee meetings.

Kalpana Morparia
Chairperson, Stakeholders' Relationship Committee

Place: Hyderabad
Date: 12 May 2017

EXHIBIT 6
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 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 believes that its primary responsibilities are to:

- Formulate, review and recommend to the board a CSR policy indicating the activities to be under taken 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.
- Monitor implementation and adherence to the CSR policy of the company from time to time.

During the financial year, the committee met four times. It also reviewed and appraised the board of the CSR budget, key discussions and recommendations made at such meetings and shared information on the overall CSR initiatives undertaken by the company.

Bharat N Doshi
Chairman, Corporate Social Responsibility Committee

Place: Hyderabad
Date: 12 May 2017

EXHIBIT 7

THE CEO'S DECLARATION 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 2016-17.

G V Prasad
Co-Chairman, Managing Director and CEO

Place: Hyderabad
Date: 12 May 2017

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 2017 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 and Chief Financial Officer

Place: Hyderabad
Date: 12 May 2017

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, for the year ended on 31 March 2017, as stipulated in chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, pursuant to the listing agreement of the said company with stock exchanges.

The compliance of conditions of 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 provisions as specified in chapter IV of Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015, pursuant to listing agreement of the said company with stock exchanges.

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 **S R Batliboi & Associates LLP**
Chartered accountants
ICAI Firm Registration no.: 101049W/E300004

per **Kaustav Ghose**
Partner
Membership no.: 57828

Place: Hyderabad
Date: 12 May 2017

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
Email-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
Email-ID: spoddar@drreddys.com

ADR INVESTORS/INSTITUTIONAL INVESTORS/FINANCIAL ANALYSTS

Saunak Savla
Investor Relations
Tel: +91-40-4900 2135
Fax: +91-40-4900 2999
Email-ID: saunaks@drreddys.com

MEDIA

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

INDIAN RETAIL INVESTORS

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

ANNUAL GENERAL MEETING

Date	Friday, 28 July 2017
Time	9.30 AM
Venue	Kaveri Ball Room, Hotel Trident HITEC City, Madhapur, Hyderabad 500 081

Last date for receipt of proxy forms: Wednesday, 26 July 2017 before 9.30 AM.

DIVIDEND

The board of directors of the company has proposed a dividend of ₹ 20/- per share on equity shares of ₹ 5/-. The dividend, if declared by the shareholders at the 33rd annual general meeting scheduled to be held on 28 July 2017, will be paid on or after 2 August 2017.

BOOK CLOSURE DATE

The dates of book closure are from Wednesday, 19 July 2017 to Friday, 21 July 2017 (both days inclusive) for the purpose of payment of dividend.

E-VOTING DATES

The cut-off date for the purpose of determing the members eligible for e-voting is Friday, 21 July 2017.

The e-voting commences on Monday, 24 July, 2017 at 9.00 AM IST and ends on Thursday, 27 July, 2017 at 5.00 PM IST.

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 Dr. Reddy's 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 recognized globally by organizations adhering to standards issued by the International Securities Organization. Our ADRs carry the CUSIP no. **256135203.**

DESCRIPTION OF VOTING RIGHTS

All equity shares issued by the company carry equal voting rights.

DEPOSITORIES

OVERSEAS DEPOSITORY OF ADRs

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

INDIAN CUSTODIAN OF ADRs

JP Morgan Chase Bank NA
India Sub-Custody, 6th Floor
Paradigm B Wing, Mindspace,
Malad (West)
Mumbai 400 064, Maharashtra, India
Tel: +91-22-6649 2617
Fax: +91-22-6649 2509
Email-ID: india.custody.client.service@jpmorgan.com

FINANCIAL CALENDAR

TENTATIVE CALENDAR FOR DECLARATION OF FINANCIAL RESULTS IN FY2018	
For the quarter ending 30 June 2017	Last week of July 2017
For the quarter and half-year ending 30 September 2017	Last week of October 2017
For the quarter and nine months ending 31 December 2017	Last week of January 2018
For the year ending 31 March 2018	First fortnight of May 2018
AGM for the year ending 31 March 2018	Last week of July 2018

FY2017 represents fiscal year 2016-17, from 1 April 2016 to 31 March 2017, and analogously for FY2016 and previously such labeled years.

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

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
Email-ID: bsshyd@bigshareonline.com

PERSONS HOLDING OVER 1% OF THE 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 2017.

EQUITY HISTORY OF THE COMPANY

Table 2 lists equity history of the company since incorporation of the company up to 31 March 2017.

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 FY2017

Chart 1 gives the movement of the company's share price on NSE vis-à-vis CNX Nifty during FY2017.

Chart 2 gives the movement of Dr. Reddy's ADR prices on NYSE vis-à-vis S&P ADR Index during FY2017.

Chart 3 gives premium in per cent on ADR traded on NYSE compared to price quoted at NSE during FY2017.

SHAREHOLDING PATTERN AS ON 31 MARCH 2017

Tables 4 and 5 gives the data on shareholding classified on the basis of ownership and shareholders' class, respectively.

DIVIDEND HISTORY

Chart 4 on page 69 shows the dividend history of the company from the FY2007 to FY2017.

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 by sending it to the registrar and transfer agent. Those holding shares in dematerialised form may contact their respective depository participant (DP) to avail of the nomination facility.

EXCHANGE OF SHARE CERTIFICATES

Standard Equity Fund Limited (SEFL), Cheminor Drugs Limited (CDL), 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, Bigshare Services Private Limited. On receipt of these share certificate(s), the new share certificate(s) will be mailed to the shareholders.

LISTING ON STOCK EXCHANGES AND STOCK CODES

DETAILS OF STOCK EXCHANGE	STOCK CODE	
	EQUITY SHARES	ADRs
BSE Limited (BSE), P J Towers, Dalal Street, Fort, Mumbai 400 001, India	500124	-
National Stock Exchange of India Ltd. (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 FY2018.*
2. *Listing fees to the NYSE for listing of ADRs has been paid for the CY2017.*
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 2017[1]

SL. NO.	NAME	NO. OF SHARES	%
1	Dr. Reddy's Holdings Limited	40,627,000	24.51
2	First State Investments Management (UK) Limited, First State Investments International Limited and their associates	14,907,551	8.99
3	Life Insurance Corporation of India and its associates	7,525,648	4.54
4	Oppenheimer Developing Markets Fund	5,286,227	3.19
5	Blackrock Institutional Trust Company and their associates	4,881,904	2.95
6	Franklin Templeton Investment Funds	2,184,775	1.32
7	Government of Singapore	2,076,004	1.25
8	Teluk Kemang Investments (Mauritius) Limited	2,015,592	1.22
9	Abu Dhabi Investment Authority and its associates	1,823,984	1.10
10	ICICI Prudential Life Insurance Company Limited	1,672,159	1.01

[1] *Does not include ADR holding.*

TABLE 2 **EQUITY HISTORY OF THE COMPANY SINCE INCORPORATION OF THE COMPANY UP TO 31 MARCH 2017**

DATE/ FINANCIAL YEAR	PARTICULARS	ISSUED	CANCELLED/ EXTINGUISHED	CUMULATIVE
24-Feb-84	Issue to promoters	200		200
22-Nov-84	Issue to promoters	243,300		243,500
14-Jun-86	Issue to promoters	6,500		250,000
09-Aug-86	Issue to public	1,116,250		1,366,250
30-Sep-88	Forfeiture of 100 shares		100	1,366,150
09-Aug-89	Rights issue	819,750		2,185,900
16-Dec-91	Bonus issue (1:2)	1,092,950		3,278,850
17-Jan-93	Bonus issue (1:1)	3,278,850		6,557,700
10-May-94	Bonus issue (2:1)	13,115,400		19,673,100
10-May-94	Issue to promoters	2,250,000		21,923,100
26-Jul-94	GDR underlying equity shares	4,301,076		26,224,176
29-Sep-95	SEFL shareholders on merger	263,062		26,487,238
30-Jan-01	CDL shareholders on merger	5,142,942		31,630,180
30-Jan-01	Cancellation of shares held in CDL		41,400	31,588,780
11-Apr-01	ADR underlying equity shares	6,612,500		38,201,280
09-Jul-01	GDR conversion into ADR			38,201,280
24-Sep-01	ARL shareholders on merger	56,694		38,257,974
25-Oct-01	Sub-division of equity shares*			76,515,948
2004-05	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
2006-07	Allotment pursuant to exercise of stock options	63,232		76,757,802
30-Aug-06	Bonus issue (1:1)	76,757,802		153,515,604
22-Nov-06	ADR underlying equity shares	12,500,000		166,015,604
29-Nov-06	ADR underlying equity shares (green shoe option)	1,800,000		167,815,604
2006-07	Allotment pursuant to exercise of stock options	96,576		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	296,031		168,468,777
2009-10	Allotment pursuant to exercise of stock options	376,608		168,845,385
2010-11	Allotment pursuant to exercise of stock options	407,347		169,252,732
2011-12	Allotment pursuant to exercise of stock options	307,614		169,560,346
2012-13	Allotment pursuant to exercise of stock options	276,129		169,836,475
2013-14	Allotment pursuant to exercise of stock options	272,393		170,108,868
2014-15	Allotment pursuant to exercise of stock options	272,306		170,381,174
2015-16	Allotment pursuant to exercise of stock options	226,479		170,607,653
2016-17	Buyback of equity shares#		5,077,504	165,530,149
	Allotment pursuant to exercise of stock options	211,564		165,741,713

* *Sub-division of one equity share of ₹ 10/- face value into two equity shares of ₹ 5/- face value.*

\# *During the year, the company bought back and extinguished an aggregate of 5,077,504 equity shares. The buyback of equity shares was done from the open market through stock exchanges.*

(SEFL – Standard Equity Fund Limited, CDL – Cheminor Drugs Limited, ARL – American Remedies Limited).

SHARE TRANSFER SYSTEM

All queries and requests relating to share transfers/transmissions may be addressed to our registrar and transfer agent:

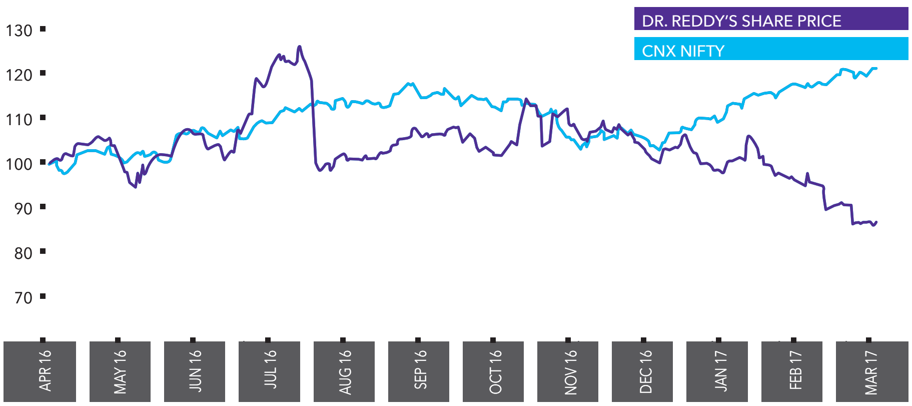
BIGSHARE SERVICES PRIVATE LIMITED
306, Right Wing, 3rd Floor, Amrutha Ville
Opp. Yashoda Hospital, Rajbhavan Road
Hyderabad 500 082, Telangana, India
Tel: +91-40-2337 4967
Fax: +91-40-2337 0295
Email-ID: bsshyd@bigshareonline.com

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.

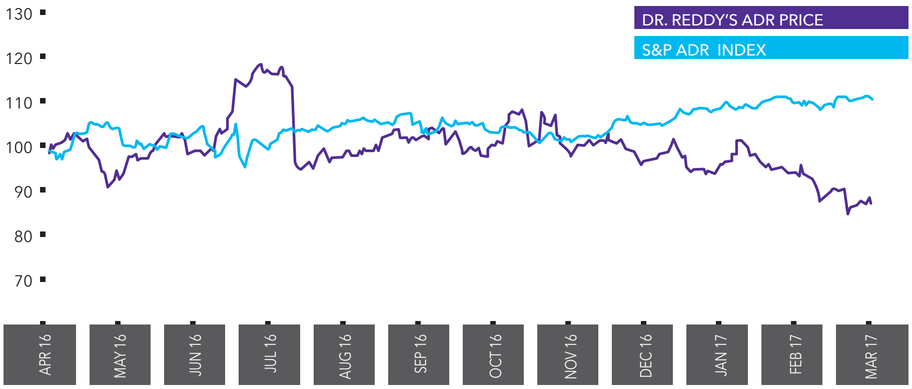
The company periodically reviews the operations of its registrar and transfer agent. The number of shares transferred/ transmitted in physical form during the last two financial years are given in **Table 6.**

CHART 1:
MOVEMENT OF THE COMPANY'S SHARE PRICE ON NSE AND CNX NIFTY INDEX



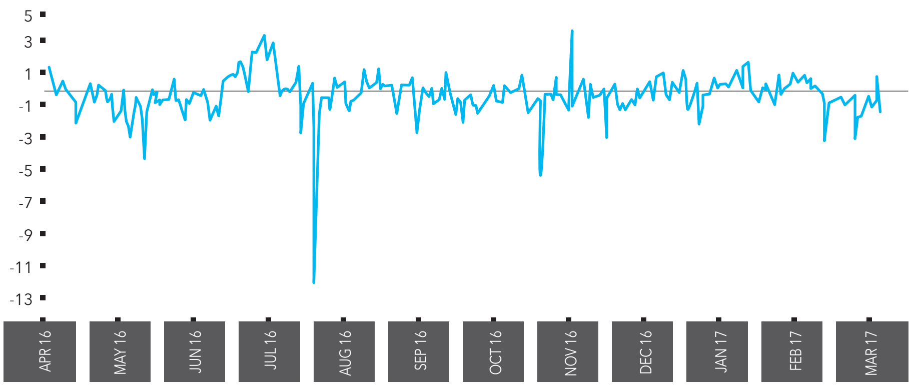
Notes: 1. *All values are indexed to 100 as on 1 April 2016.*
2. *CNX Nifty (Nifty 50) is a diversified 50 stock index accounting for 12 sectors of the Indian economy. Nifty 50 is owned and managed by India Index Services and Products Ltd. (IISL). India's specialized company focused upon the index as 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 2016.*
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.*

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.

DEMATERIALISATION 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, Dr. Reddy's has signed up with both the depositories in India – namely, the National Securities Depository Ltd. (NSDL) and the Central Depository Services (India) Ltd. (CDSL) – and has established connectivity with the depositories through its registrar and transfer agent, Bigshare Services Private Limited.

Chart 5 gives the breakup of dematerialized shares and shares in physical certificate form as on 31 March 2017 as compared with 31 March 2016. Dematerialization of shares is done through 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.

SECRETARIAL AUDIT

For each quarter of FY2017, a qualified practicing company secretary carried out the reconciliation of share capital audit to reconcile the total admitted share capital held with NSDL and CDSL and the total issued and listed share capital. The reports confirm that the total issued/paid up share capital is in agreement with 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 of Managerial Personnel) Rules, 2014, a secretarial audit for FY2017 was carried out by Dr. K R Chandratre, a practicing company secretary having more than 30 years of experience (membership no. FCS 1370 and certificate of practice no. 5144). The secretarial audit report forms a part of this annual report.

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 2017, there were approximately 63 registered holders and 15,702 beneficial shareholders of ADRs evidencing 27,171,944 ADRs.

TABLE 3 HIGH, LOW AND NUMBER OF SHARES TRADED PER MONTH ON BSE, NSE AND NYSE DURING FY2017

MONTH	BSE			NSE			NYSE		
	HIGH (₹)	LOW (₹)	NO. OF SHARES	HIGH (₹)	LOW (₹)	NO. OF SHARES	HIGH (US$)	LOW (US$)	NO. OF ADRs[1]
Apr-16	3,169.00	2,966.00	418,856	3,168.90	2,965.15	5,220,788	47.73	44.58	6,270,036
May-16	3,200.00	2,825.00	819,389	3,198.70	2,822.00	8,648,433	47.78	41.60	8,951,793
Jun-16	3,396.70	2,993.20	633,118	3,393.10	2,999.80	8,856,247	51.30	44.74	6,696,913
Jul-16	3,689.00	2,925.10	1,237,624	3,689.85	2,925.10	13,169,374	54.73	42.52	11,848,878
Aug-16	3,131.00	2,930.20	667,319	3,130.15	2,930.00	6,622,481	46.48	43.40	5,420,155
Sep-16	3,228.05	3,061.10	403,346	3,227.70	3,058.30	4,202,113	48.12	45.53	3,628,983
Oct-16	3,394.95	2,842.00	586,848	3,399.90	3,012.00	6,154,913	49.96	44.92	5,839,795
Nov-16	3,357.00	2,960.40	470,882	3,361.75	2,960.05	6,874,267	50.10	44.45	7,587,012
Dec-16	3,247.00	2,980.00	307,875	3,247.25	2,979.10	4,026,447	47.75	44.06	4,729,337
Jan-17	3,203.95	2,910.00	806,057	3,203.85	2,904.00	5,043,564	46.92	42.78	5,862,030
Feb-17	3,175.00	2,803.50	873,322	3,177.00	2,798.95	10,457,756	46.95	42.86	6,156,670
Mar-17	2,948.00	2,560.00	1,062,997	2,948.80	2,555.20	11,851,056	44.23	39.04	6,855,215

(1) *One ADR is equal to one equity share.*

TABLE 4 DISTRIBUTION OF SHAREHOLDING ON THE BASIS OF OWNERSHIP

CATEGORY	AS ON 31 MARCH 2017		AS ON 31 MARCH 2016		
	NO. OF SHARES	% OF TOTAL	NO. OF SHARES	% OF TOTAL	% CHANGE
Promoters' holding[1]					
- Individuals	3,771,828	2.28	3,688,528	2.16	0.12
- Companies	40,627,000	24.51	39,961,234	23.42	1.09
Sub-total	**44,398,828**	**26.79**	**43,649,762**	**25.58**	**1.21**
Indian financial institutions	9,129,045	5.51	4,587,035	2.69	2.82
Banks	439,300	0.27	242,636	0.14	0.13
Mutual funds/UTI	7,928,164	4.78	5,446,331	3.19	1.59
Foreign holdings					
- Foreign institutional investors/foreign portfolio investors	53,694,200	32.40	66,005,077	38.70	(6.30)
- Non resident Indians	1,898,565	1.14	2,085,783	1.22	(0.08)
- ADRs	27,171,944	16.39	28,582,809	16.75	(0.36)
- Foreign nationals	13,949	0.01	5,762	0.00	0.01
Sub-total	**100,275,167**	**60.50**	**106,955,433**	**62.69**	**(2.19)**
Indian public and corporates	21,067,718	12.71	20,002,458	11.73	0.98
Total	**165,741,713**	**100.00**	**170,607,653**	**100.00**	

(1) *During the year, the company bought back and extinguished an aggregate of 5,077,504 equity shares. The buyback of equity shares was done from the open market through stock exchanges. This reduced the number of outstanding equity shares and thereby increased the percentage of promoters' shareholding by ~0.79%.*

TABLE 5 DISTRIBUTION OF SHAREHOLDING ACCORDING TO SHAREHOLDERS' CLASS AS ON 31 MARCH 2017

SHARES HELD	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES HELD	% OF SHAREHOLDING
1 - 5,000	128,485	99.21	12,129,889	7.32
5,001 - 10,000	426	0.33	2,952,465	1.78
10,001 - 20,000	240	0.19	3,388,884	2.05
20,001 - 30,000	75	0.06	1,864,201	1.13
30,001 - 40,000	43	0.03	1,493,338	0.90
40,001 - 50,000	24	0.02	1,080,062	0.65
50,001 - 100,000	68	0.05	4,992,870	3.01
100,001 & Above	145	0.11	110,668,060	66.77
Total (excluding ADRs)	**129,506**	**100.00**	**138,569,769**	**83.61**
Equity shares underlying ADRs[1]	1	0.00	27,171,944	16.39
Total	**129,507**	**100.00**	**165,741,713**	**100.00**

(1) *Held by beneficial owners outside India.*

CHART 4:
DIVIDEND HISTORY FY2007-17 (%)

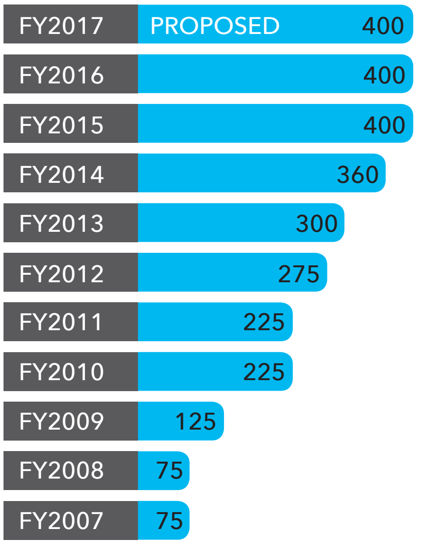
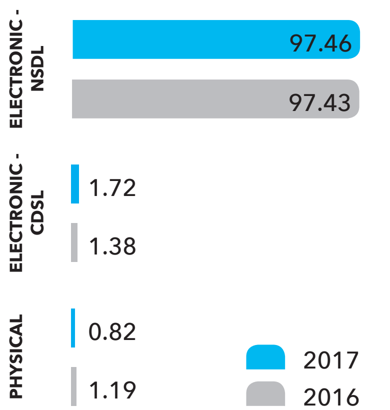


CHART 5:
BREAK UP OF SHARES IN ELECTRONIC AND PHYSICAL FORM AS ON 31 MARCH 2017 AND 31 MARCH 2016 (%)



QUERIES AND REQUESTS RECEIVED FROM SHAREHOLDERS IN FY2017

Table 7 gives details of the nature of shareholder queries received and replied to during FY2017. Pending queries and requests were either received during the last week of March 2017, or were pending due to non-receipt of information/ documents from the shareholders.

DATE 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 FY2017

PERSON WHO CONDUCTED THE POSTAL BALLOT PROCESS

Mr. G Raghu Babu, company secretary in practice and partner of M/s. R & A Associates, company secretaries, Hyderabad (membership no. F4448 and certificate of practice no. 2820) was appointed as the scrutinizer for carrying out the postal ballot process for the above item in a fair and transparent manner.

PROPOSAL TO CONDUCT POSTAL BALLOT FOR ANY MATTER IN THE ENSUING ANNUAL GENERAL MEETING

There is no proposal to conduct postal ballot for any matter in the 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 an 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 the 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 envelopes 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/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.

The scrutinizer submits his report to the chairman of the board of directors 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, besides being communicated to the stock exchanges, depository and registrar and transfer agent.

DISCLOSURE ON LEGAL PROCEEDINGS PERTAINING TO SHARES

There are two 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 125 of the Companies Act, 2013, unclaimed dividend amounts up to and including for the FY2009 have been transferred to the general revenue account of the Central Government/Investor Education and Protection Fund (IEPF).

The dividends and interest on debentures for the following years, which remain unclaimed for seven years will be transferred to IEPF established by the Central Government under section 125 of the Companies Act, 2013. **Table 10** gives the transfer dates in this regard.

Bonus debentures, issued by the company in the year 2011, matured on 24 March 2014. These 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 IEPF.

TABLE 6 SHARES TRANSFERRED/TRANSMITTED IN PHYSICAL FORM

	FY2017	FY2016
Number of transfers/transmissions*	111	91
Number of shares	46,058	22,606

* *Does not include transfer of 533,987 unclaimed equity shares (3,205 shareholders) to unclaimed suspense account.*

TABLE 7 SHAREHOLDER QUERIES AND REQUESTS RECEIVED AND REPLIED TO IN FY2017

SL. NO.	NATURE	OPENING BALANCE	RECEIVED	REPLIED	CLOSING BALANCE*
1	Change of address	-	105	105	-
2	Request for revalidation and issue of duplicate dividend warrants	41	219	247	13
3	Request for sub-division of shares (exchange)	2	532	527	7
4	Share transfers#	-	3,298	3,297	1
5	Transmission of shares	-	24	21	3
6	Split/consolidation of shares	-	2	2	-
7	Stop transfer	-	18	18	-
8	Power of attorney registration	-	4	4	-
9	Change of bank mandate	-	88	88	-
10	Correction of name	-	12	12	-
11	Dematerialization of shares	4	490	493	1
12	Rematerialization of shares	-	3	3	-
13	Issue of duplicate share certificates of Dr. Reddy's	-	77	67	10
14	Requests received from shareholders	7	2,361	2,368	-
15	Complaints received through stock exchanges/SEBI etc.	-	11	11	-
16	Claim of unclaimed share certificates	-	906	906	-

* *The company has since attended all the shareholders' requests and queries which were pending as on 31 March 2017.*
\# *Includes transfer of 533,987 unclaimed equity shares (3,205 shareholders) to unclaimed suspense account.*
The above table does not include shareholders' disputes, which are pending in various courts.

TABLE 8 LAST THREE ANNUAL GENERAL MEETINGS

YEAR	DATE AND TIME	LOCATION	SPECIAL RESOLUTION(S) 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
2015-16	27 July 2016 at 9.30 AM	Kaveri Ball Room, Hotel Trident, HITEC City, Madhapur, Hyderabad 500 081	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 OUT-STANDING SHARES	VOTES CAST IN FAVOUR		VOTES CAST AGAINST		
				NO. OF VOTES	%	NO. OF VOTES	%	
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

Shareholders/debenture holders who have not cashed their dividend/interest warrants nor claimed the redemption amount on matured debentures are requested to immediately approach Bigshare Services Private Limited, for issuing duplicate warrant(s)/demand draft(s) in lieu of the original warrants/demand drafts.

The information on unclaimed dividend/ interest is available on the website of the company: www.drreddys.com

TRANSFER OF UNDERLYING SHARES TO INVESTOR EDUCATION AND PROTECTION FUND (IEPF):

Pursuant to section 124(6) of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, as amended, all shares in respect of which dividend has not been paid or claimed for seven consecutive years or more shall be transferred by the company in the name of IEPF.

The company has sent individual notices to the latest available addresses of the shareholders whose dividends are lying unpaid/unclaimed for the financial year 2008-09 along with subsequent 7 (seven) consecutive year's dividend, advising them to claim the dividends on or before 31 May 2017. It has also published a notice in newspapers inviting the shareholders' attention.

Shareholders who have not claimed their dividends since 2008-09 can write to the company's registrar & share transfer agent: Bigshare Services Private Limited, 306, 3rd Floor, Right Wing, Amrutha Ville, Opp. Yashoda Hospital, Rajbhavan Road, Somajiguda, Hyderabad – 500082, India (email-ID : bsshyd@bigshareonline.com) or at the registered office of the company on or before 31 May 2017 for making a valid claim for the unclaimed dividends. If the shareholders do not claim the unpaid or unclaimed dividends on or before 31 May 2017, the shares held by them are liable to be transferred to IEPF.

Any person whose shares and unpaid/ unclaimed dividends get transferred to the IEPF may claim the shares and unpaid/unclaimed dividends from the IEPF in accordance with such procedure and on submission of such documents as prescribed.

Details of equity shares liable to be transferred to IEPF are available on the company's website: www.drreddys.com.

DEALING WITH SECURITIES WHICH HAVE REMAINED UNCLAIMED

Pursuant to regulation 39(4) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with schedule VI of the said Regulations, the company has dematerialised shares which have been returned undelivered by postal authorities and shares unclaimed after sub-division. The dematerialised shares are held in an 'unclaimed suspense account' opened with a depositary participant associated with NSDL.

Any corporate benefits accruing on such shares, viz. bonus shares, split etc., shall also be credited to the unclaimed suspense account, for a period of seven years and thereafter shall be transferred by the company to IEPF, in accordance with provisions of section 124(5) and (6) of the Companies Act, 2013 and rules made thereunder.

Table 11 gives the details of the unclaimed share certificates as on 31 March 2017 held by the company.

The voting rights on such unclaimed shares shall remain frozen till the rightful owner claims these shares.

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 THE COMPANY'S WEBSITE

The quarterly, half yearly and annual results of the company are displayed on its website: 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. Besides, 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

The information is given in the chapter on *corporate governance* and *notice of 33rd 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 an Investor-Helpdesk at the annual general meeting. Shareholders may post their queries relating to shares, dividends etc., at the 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 (EGM) of the company may be called by a requisition made by shareholders, either in writing or through electronic mode, at least 21 clear days prior to the proposed date of such a meeting. Such a requisition, signed by the requisitionists, shall set out the matters of consideration for which the meeting is to be called and it shall be sent to the registered office of the company.

Shareholders entitled to make requisition for an EGM regarding any matter, shall be those who hold not less than one-tenth of the paid up share capital of the company 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 shareholders intending to propose such person for appointment as a director of the company, shall deposit a signed notice signifying candidature

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 2017	DUE FOR TRANSFER ON
2009-10	Final dividend	23-Jul-10	4,473,720.00	27-Aug-17
2010-11	Final dividend	21-Jul-11	4,521,183.75	27-Aug-18
2011-12	1st year debenture interest	24-Mar-12	1,469,546.33	23-Mar-19
2011-12	Final dividend	20-Jul-12	5,593,521.25	26-Aug-19
2012-13	2nd year debenture interest	23-Mar-13	1,521,075.32	22-Mar-20
2012-13	Final dividend	31-Jul-13	6,311,130.00	30-Aug-20
2013-14	Debenture redemption and 3rd & final year interest	24-Mar-14	13,032,317.01	23-Mar-21
2013-14	Final dividend	31-Jul-14	7,953,858.00	30-Aug-21
2014-15	Final dividend	31-Jul-15	8,599,500.00	30-Aug-22
2015-16	Final dividend	27-Jul-16	9,605,840.00	30-Aug-23

TABLE 11 UNCLAIMED SHARE CERTIFICATES AS ON 31 MARCH 2017

SL. NO.	PARTICULARS	NO. OF SHAREHOLDERS	NO. OF SHARES
i.	Aggregate no. of shareholders and the outstanding no. of unclaimed shares at the beginning of the year	4,211	693,499
ii.	No. of shareholders who approached to claim the unclaimed shares during the year*	1,008	159,696
iii.	Aggregate no. of shareholders who claimed and were given the unclaimed shares during the year	584	105,367
iv.	Aggregate no. of shareholders and the outstanding no. of unclaimed shares at the end of the year	3,203	533,803

* *Including 424 shareholders (holding 54,329 equity shares) for which additional documents have been requested.*

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 14 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 directors' nominations are considered by the nomination, governance and compensation committee of the company's board of directors, which entirely consists of independent directors.

INFORMATION ON MEMORANDUM AND ARTICLES OF ASSOCIATION

The company's memorandum and articles of association is available on the website: www.drreddys.com.

SHAREHOLDER SERVICES

Please refer to the shareholder services page on the website of the company: www.drreddys.com, for procedures related to transfer/dematerialisation/rematerialisation/transmission of shares, nomination in respect of shareholding, change of address, unclaimed/unpaid dividend, loss/misplacement of certificate(s), sub-division of shares, share certificates of amalgamated companies, power of attorney and the registration of email-ID.

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 statement.

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:

a. 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.

b. 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.

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 dispatched 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 (IEPF) within the time limit and has also complied with the provisions of the IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, as amended.

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 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 2017

FACILITY LOCATIONS IN INDIA

ACTIVE PHARMACEUTICAL INGREDIENTS (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,
Quthbullapur Mandal,
Medchal-Malkajgiri District,
Telangana,
Pin: 500 055

API NALGONDA PLANT
Peddadevulapally
Tripuraram Mandal
Nalgonda District, Telangana,
Pin: 508 207

API SRIKAKULAM PLANT
IDA Pydibheemavaram
Ransthal 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,
Medchal-Malkajgiri District, Telangana,
Pin: 500 123

FORMULATIONS HYDERABAD PLANT 3
S Y No. 41
Bachupally, Qutubullapur Mandal,
Medchal-Malkajgiri District, Telangana,
Pin: 500 123

FORMULATIONS YANAM PLANT
Ward-F, Block-4, Adavipolam
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,
Solan District, Baddi,
Himachal Pradesh,
Pin: 173 205

FORMULATIONS VIZAG SEZ PLANT 1
Plot No. P1-P9, Phase III
Duvvada, VSEZ, Visakapatanam
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,
Medchal-Malkajgiri District,
Telangana,
Pin: 500 123

RESEARCH AND DEVELOPMENT FACILITIES – WITHIN INDIA

INTEGRATED PRODUCT DEVELOPMENT ORGANISATION (IPDO)
Bachupally Village
Qutubullapur Mandal
Medchal-Malkajgiri 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 I
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
Octoplus 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

BOARD'S REPORT

Dear members,

Your directors are pleased to present the 33rd annual report for the year ended 31 March 2017.

FINANCIAL HIGHLIGHTS

Table 1 gives the financial highlights of the company for FY2017 as compared to the previous financial year, on Ind AS consolidated and standalone basis.

COMPANY AFFAIRS

The company's standalone net revenue for the year was ₹ 103.11 billion, a decline of 2.88% over the previous year. In US$ terms, this amounted to $ 1.59 billion. Profit before tax (PBT) was ₹ 15.45 billion, a decline of 7.88% over the previous year. In US$ terms, this translates into $ 238 million.

Consolidated net revenue for the year was ₹ 143.68 billion, a decline of 9.43% over the previous year. In US$ terms, this amounted to $ 2.21 billion. PBT was ₹ 15.54 billion, a decline of 45.65% over the previous year. In US$ terms, this translates into $ 240 million.

Revenue from Global Generics declined by 10% and stood at ₹ 115.41 billion, driven largely by North America and Emerging Markets.

Revenue from North America declined by 16% and stood at ₹ 63.6 billion. This is primarily on account of increased competition in our key products namely Valganciclovir, Decitabine, Azacitidine etc. coupled with discontinuation of the McNeil business. During the year, the company launched 10 products, the major ones being Omeprazole Sodium Bicarbonate and Nitroglycerin Sublingual tablets. FY2017 also saw 26 ANDA filings in the USA. As of 31 March 2017, cumulatively 101 generic filings are pending for approval with the USFDA (99 ANDAs and two NDAs under 505(b)(2) route). Of these 99 ANDAs, 62 are Para IVs out of which we believe 21 have 'First to File' status.

Revenue from Emerging Markets was ₹ 21.1 billion, a decline of 11% on a year-on-year basis. Revenue from India stood at ₹ 23.1 billion, registering a year-on-year growth of 9%.

Revenues from PSAI stood at ₹ 21.3 billion, a decline of 5% on a year-on-year basis. During the year, 82 DMFs were filed globally of which nine were in the US. The cumulative number of DMF filings as of 31 March 2017 was 754.

DIVIDEND

Your directors are pleased to recommend a dividend of ₹ 20/- on every equity share of ₹ 5/- (400%) for FY2017. The dividend, if approved at the 33rd 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 day on 18 July 2017.

In terms of regulations 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), the company has revised its dividend distribution policy. This policy was originally adopted on 18 May 2009. The policy is attached as **Annexure I** to the board's report.

TRANSFER TO RESERVES

The company proposes to transfer ₹ 1,355 million to the general reserve.

TABLE 1 FINANCIAL HIGHLIGHTS (₹ Million)

	CONSOLIDATED		STANDALONE	
	FY2017	FY2016	FY2017	FY2016
Total revenue	143,676	158,633	103,110	106,168
Profit before depreciation, amortization and tax	25,803	37,977	22,796	23,261
Depreciation and amortization	10,266	9,389	7,351	6,495
Profit before tax	15,537	28,588	15,445	16,766
Tax expense	2,965	7,511	1,604	3,023
Profit after tax	12,572	21,077	13,841	13,743
Share of profit of equity accounted investees, net of tax	349	229	-	-
Net profit for the year	**12,921**	**21,306**	**13,841**	**13,743**
Add: surplus at the beginning of the year	82,595	67,074	79,930	72,058
Total available for appropriation	**95,516**	**88,380**	**93,771**	**85,801**
Appropriations:				
Dividend paid during the year	3,312	3,411	3,312	3,411
Tax on dividend paid	674	694	674	694
Credit of dividend distribution tax	(596)	-	(633)	(32)
Transfer to general reserve	1,355	1,679	1,355	1,679
Others	-	-	-	119
Balance carried forward	**90,771**	**82,595**	**89,063**	**79,930**

Note: FY2017 represents fiscal year 2016-17, from 1 April 2016 to 31 March 2017, and analogously for FY2016 and other such labeled years.

SHARE CAPITAL

The paid-up share capital of your company decreased by ₹ 24.33 million to ₹ 828.71 million in FY2017 due to the following:

(a) Buyback and extinguishment of 5,077,504 equity shares,
(b) Allotment of 211,564 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, no disclosure or reporting is required in respect of details relating to deposits.

CHANGE IN THE NATURE OF BUSINESS, IF ANY

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

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY

None.

SUBSIDIARIES AND ASSOCIATES

The company had 47 subsidiaries and three joint venture companies as on 31 March 2017. During FY2017, Imperial Credit Private Limited and Dr. Reddy's Laboratories Kazakhstan LLP, have become subsidiary companies and Reddy Cheminor SA in France, was closed and ceased to be a wholly-owned subsidiary. Further, OctoShare BV, OctoPlus Development BV, OctoPlus Technologies BV, OctoPlus Science BV, OctoPlus PolyActive Science BV and Chienna BV ceased to be subsidiaries of the company, upon their merger with Dr. Reddy's Research and Development BV (formerly known as OctoPlus BV).

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 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 statements of the company and all its subsidiaries and joint ventures, prepared in accordance with Indian Accounting Standards (Ind AS) 110 and 111 as specified in the Companies (Indian Accounting Standards) Rules, 2015, form part of the annual report. Further, a statement containing the salient features of the financial statement of our subsidiaries and joint ventures in the prescribed form AOC-1, is attached as **Annexure II** to the board's report. This statement also provides 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 the company's website: 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 purposes. 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 was 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 information for shareholders is provided in the chapter *additional shareholders' information*. A certificate from the statutory auditors of the company confirming compliance with the conditions of corporate governance is attached to the *corporate governance report*.

MANAGEMENT DISCUSSION AND ANALYSIS

A detailed report on the *management discussion and analysis* in terms of the provisions of regulation 34 of the Listing Regulations, is provided as a separate chapter in the annual report.

BOARD OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

The term of Mr. Ravi Bhoothalingam as an independent director of the company ended on 27 July 2016. The board places on record its appreciation for the services rendered by Mr. Bhoothalingam during his tenure as a member of the board and its committees.

The board of directors at its meeting held on 12 May 2017, had re-appointed Mr. K Satish Reddy as whole-time director designated as chairman of the company (or such other designation as the board may deem fit), for a further period of five years with effect from 1 October 2017 (including terms and conditions of the appointment), subject to approval of the shareholders at the forthcoming 33rd AGM scheduled on 28 July 2017.

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 laid down in section 149(6) of the Companies Act, 2013 and regulation 16(1)(b) of the Listing Regulations.

Mr. G V Prasad, retires by rotation at the forthcoming 33rd AGM and being eligible, seeks re-appointment.

Brief profiles of Mr. K Satish Reddy and Mr. G V Prasad are given in the *corporate governance* section of the annual report and notice convening the 33rd 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. For details, please see the chapter on *corporate governance* in this annual report.

APPOINTMENT OF DIRECTORS AND REMUNERATION POLICY

The assessment and appointment of members to the board is based on a combination of criteria that includes ethics, personal and professional stature, domain expertise, gender diversity and specific qualification required for the position. A potential board member is also assessed on the basis of the independence criteria 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 and compensation committee, the board adopted a remuneration policy for directors, key managerial personnel (KMPs) and senior management. The policy is attached to the *corporate governance report*.

NUMBER OF BOARD MEETINGS

The board of directors met four times during the year. In addition, an annual board retreat was held to discuss strategic matters. Details of board meetings are given in the *corporate governance report*.

AUDIT COMMITTEE

The audit committee of the board of directors consists entirely of independent directors. Presently, the committee comprises Mr. Sridar Iyengar (chairman), Ms. Kalpana Morparia, Dr. Omkar Goswami and Mr. Bharat N Doshi. Further details can be seen in the *corporate governance report*. 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. Details of the committee and its terms of reference are set out in the *corporate governance report*.

The audit and risk management committees review key risk elements of the company's business, finance, operations and compliance and respective mitigation strategies. The risk management committee reviews key strategic, business, compliance and operational risks, while issues around ethics and fraud, internal control over financial reporting (ICOFR), 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 focuses on risks associated with the company's business and investments. The FIRM council periodically reviews matters pertaining to ethics and fraud, compliance and internal audit. Additionally, the enterprise-wide risk management (ERM) function helps the management and the board to periodically prioritize, review and measure business risks against a pre-determined risk appetite and their suitable response, depending on whether such risks are internal, strategic or external.

During FY2017, focus areas of risk management included progress on strategy execution, quality and regulatory, geo-political, compliance and patent infringement risk exposures, safety and health.

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 FY2017 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 III**. All such contracts or arrangements are in the interest of the company. 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 (whistle blower/vigil mechanism) to report concerns. The vigil mechanism consists of a hotline – a dedicated email-ID and a phone number. The ombudsperson policy safeguards from victimization of those who use this mechanism. An audit committee member is the chief ombudsperson. The policy also provides access to the chairperson of the audit committee under certain circumstances. Details of the policy are also available on the company's website: www.drreddys.com/investors/governance/ombudsperson-policy

STATUTORY AUDITORS

M/s. S R Batliboi & Associates LLP, chartered accountants (firm registration no. 101049W/E300004) were appointed as statutory auditors of the company at the 32nd AGM held on 27 July 2016, 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. The firm has consented and confirmed that the appointment is within the limits specified under section 141(3)(g) of the Companies Act, 2013. The statutory auditors have also confirmed that they are not disqualified to be appointed as such in terms of the proviso to section 139(1), section 141(2) and section 141(3) of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014.

The audit committee and the board of directors recommend to the shareholders the ratification of appointment of M/s. S R Batliboi & Associates LLP, chartered accountants, as statutory auditors of the company from the conclusion of the 33rd AGM till the conclusion of 34th AGM.

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 FY2017. The secretarial audit report for FY2017 is attached as **Annexure IV**.

Based on the consent received from Dr. K R Chandratre, and on the recommendations of the audit committee, the board has appointed him as the secretarial auditor of the company for FY2018.

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. On recommendation of the audit committee, your board has appointed M/s. Sagar & Associates, cost accountants (firm registration no. 000118) as cost auditors of the company for the FY2018 at a remuneration of ₹ 7 lakhs plus reimbursement 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 FY2016 were filed with the Central Government on 24 August 2016, within the stipulated timeline. The cost audit reports for FY2017 will be also filed within the 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

None.

INFORMATION REQUIRED UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The company has an apex complaints committee and an internal complaints committee which operate under a defined redressal system for complaints pertaining to sexual harassment of women at workplace. Details are available in the principle 3 under section 7 of the *business responsibility report* forming a part of this annual report.

CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES

As per section 135 of the Companies Act, 2013, the company has a board level CSR committee consisting of Mr. Bharat N Doshi (chairman), Mr. G V Prasad and Mr. K Satish Reddy. The company's CSR policy provides a constructive framework to review and organize our social outreach programs in health, livelihood and education. During the year, the committee monitored implementation and adherence to the CSR policy. Details about the CSR policy and initiatives taken by the company during the year are available on the company's website: www.drreddys.com. The report on CSR activities is attached as **Annexure V**.

BUSINESS RESPONSIBILITY REPORT

A detailed *business responsibility report* in term 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 the Companies Act, 2013, read with IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, as amended, declared dividends which remained unpaid or unclaimed for a period of seven years have been transferred by the company to the IEPF, which has been established by the central government.

The above referred rules now mandate transfer of dividends lying unpaid and unclaimed for a period of seven years as well as the underlying equity shares to IEPF. The company has issued individual notices to the shareholders whose equity shares are liable to be transferred to IEPF, advising them to claim their dividend on or before 31 May 2017.

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. The details are available on the company's website: www.drreddys.com/pdf/ESOP_details.pdf.

The details also form part of note 2.28 of the notes to accounts of 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 VI**.

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

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 up to the date of the forthcoming 33rd AGM. Any shareholder interested in obtaining a copy thereof may write to the company secretary in this regard.

CONSERVATION OF ENERGY, RESEARCH & 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 VII**.

EXTRACT OF THE ANNUAL RETURN

Details forming part of the extract of the annual return in form MGT-9 are attached as **Annexure VIII**.

ACKNOWLEDGEMENT

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 in 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 your 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 2017

ANNEXURE-I

DIVIDEND DISTRIBUTION POLICY

(Originally approved on 18 May 2009 and modified by the board of directors at their meeting held on 25 October 2016).

KEY HIGHLIGHTS

- Dividend payout will be subject to profitability under standalone financials statements prepared under Indian Accounting Standard (Ind AS).
- Special dividend, if any, to be outside the scope of this policy but will be governed by the provisions under the Companies Act, 2013.
- Applicable to Dr. Reddy's Laboratories Limited, India only and not its subsidiaries.

INTRODUCTION

The board of directors of Dr. Reddy's Laboratories Limited (Dr. Reddy's or the company), aims to grow the business lines of the company and enhance the rate of return on investments of the shareholders. They present the dividend distribution policy, considering:

a) Preservation of a balance between the expectations of its shareholders and company's own need to grow and
b) The profitability of the company.

The policy is intended to ensure a regular dividend payout for maximizing the shareholder's wealth with an objective to distribute a regular dividend through an interim or final dividend or a combination of both.

The annual dividend rate will be recommended by the board of directors and can vary in order to reflect the underlying growth of the company and to maintain a regular dividend payment.

APPLICABILITY

This policy is a guiding principle for Dr. Reddy's Laboratories Limited, India.

STATUTORY PROVISIONS

Under the Companies Act, 2013 and rules made there under, a company shall declare or pay dividend, for any financial year, only out of the profits of the company for that financial year. The following points set out the statutory obligations of a company/requirements under the Companies Act, 2013 with respect to declaration/payment of dividend. (Section 123).

The dividend shall be declared/paid only out of the profits of the company after providing for depreciation in accordance with the provisions of the law.

The company before declaration of any dividend in any financial year, may transfer such percentage of its profit for that financial year to the general reserve.

However, in case of inadequacy or absence of profits in any year, a maximum of 10% of paid-up capital can be declared as dividend, subject to other provisions contained in the Companies (Declaration and Payment of Dividend) Rules, 2014.

The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, requires a company to disclose its dividend distribution policy in its annual report and on its website.

I. DECLARATION

The declaration of dividend would be subject to compliance with applicable provisions of the Companies Act, 2013 and rules made there under, if any.

II. LOSSES

Before declaring any dividend, the losses, if any, of any previous year(s) must be set off against the profits of the company for the current year or previous years.

III. DECLARATION OF DIVIDEND OUT OF RESERVES

The declaration of dividend out of reserves or accumulated profit & loss account may be as per the provisions of the Companies Act, 2013 and rules made there under, if any.

IV. AMOUNT OF DIVIDEND

The board may endeavor to recommend dividends considering:

a. The company's need for capital for its growth/expansion plans; and
b. Positive cash flow

The amount of maximum dividend payout (including interim dividend) is expected to be up to 20% of the cash profit under the consolidated financial statement prepared under Indian Accounting Standards (Ind-AS).

(Subject to per share amount rounding off to nearest 25 paise and further subject to percentage being adjusted to nearest multiple of 5.)

V. PARAMETERS TO BE CONSIDERED BEFORE DECLARING DIVIDEND

The major internal and external factors for deciding on dividend payment are:

1) Current year's earnings
2) Past dividend pattern
3) Liquidity – cash flow
4) Repayment/pre-payment of borrowing
5) Expected future earnings
6) Capital expenditure requirements (retained earnings) requiring ploughing back of profits i.e. future capital expenditure program including
   a) New projects
   b) Expansion of capacities of existing units
   c) Renovation/modernizations
   d) Acquisition of brands/businesses
   e) Major repairs & maintenance
7) Likelihood of crystallization of contingent liabilities, if any
8) Contingency fund
9) Sale of brands/businesses
10) Social/geo-political factors/risks
11) Regulatory or proposed regulatory requirements
12) Currency risk

Prior to declaration/recommendation of any dividend as per this policy, the company may consider any applicable covenants/conditions or restrictions imposed by any lenders, JV partners of the company or its subsidiaries. The company may decide to retain earnings in entirety for a particular year(s) for its growth/expansion, consequently resulting in shareholders' wealth creation.

VI) TIMING

1) INTERIM DIVIDEND

   The board may declare the interim dividend, based on review of profits earned during the current year - to date.

   The interim dividend may be declared during the tenure of the financial year i.e. normally at the time of reviewing and approving the quarterly/half-yearly financial results.

2) FINAL DIVIDEND

   The board may recommend the final dividend, subject to the approval of the members of the company, based on profitability of the company as per the annual audited financial statements. The final dividend may be recommended once in a year and shall be subject to the approval of the members of the company at their meeting held for the purpose.

   In addition to the above, the board of directors of the company may also consider declaration of any special dividend, on special occasions, as and when they may deem fit, subject to provisions of the Companies Act, 2013 rules made there under and other relevant requirements, if any.

VII) CLASSES OF SHARES

At present, the issued and paid-up share capital of the company comprises only equity shares. As and when the company issues any other class(es) of shares, the board of directors may suitably declare dividend on such class(es) in accordance with the provisions of the Companies Act, 2013.

VIII) TAXATION

The company shall be responsible for payment of dividend distribution tax as per the provisions of Income Tax Act, 1961 or such other amendments from time to time.

However, the Income Tax liability, if such is applicable, on the dividend earned by the shareholders under the Income Tax Act, 1961 or such other amendment from time to time, shall be borne by the respective shareholders and if required under the then prevalent Income Tax laws, the payment shall also be subject to deduction of tax at source.

IX) PERIODIC REVIEW OF THIS POLICY; AMENDMENTS

The board may amend, modify, repeal or waive any of the stipulations of this policy at any time, as it determines necessary or appropriate, in the exercise of its judgment or fiduciary duties and as per the provisions of the Companies Act.

ANNEXURE-II

FORM AOC-1

(Statement 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 millions, except share data and where otherwise stated

		AS AT 31 MARCH 2017										FOR THE YEAR ENDED 31 MARCH 2017				
SL. NO.	NAME OF THE SUBSIDIARY	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	Aurigene Discovery Technologies (Malaysia) SDN BHD	31-03-17	100%	MYR	14.65	16	11	3	30	30	-	26	4	-	4	-
2	Aurigene Discovery Technologies Inc.	31-03-17	100%	USD	64.85	257	(256)	-	1	1	-	-	-	-	-	-
3	Aurigene Discovery Technologies Ltd.	31-03-17	100%	INR	1.00	905	2,320	3,989	7,214	7,214	4,927	1,836	449	104	345	-
4	beta Institut gemeinnützige GmbH[2]	31-03-17	100%	EUR	69.29	5	1	7	13	13	-	-	0	-	0	-
5	betapharm Arzneimittel GmbH[2]	31-03-17	100%	EUR	69.29	60	(15)	6,503	6,548	6,548	-	8,528	773	-	773	-
6	Cheminor Investments Limited	31-03-17	100%	INR	1.00	1	-	-	1	1	-	-	-	-	-	-
7	Cheminor Employees Welfare Trust	31-03-17	100%	INR	1.00	-	252	8	260	260	260	-	23	6	17	-
8	Chienna B.V.[3]	31-03-17	100%	EUR	69.29	-	-	-	-	-	-	-	(110)		(110)	-
9	Chirotech Technology Limited	31-03-17	100%	GBP	80.90	1,060	(205)	272	1,127	1,127	-	1,076	278	56	222	-
10	Dr. Reddy's Bio-Sciences Limited	31-03-17	100%	INR	1.00	540	(205)	83	418	418	-	-	(38)	-	(38)	-
11	Dr. Reddy's Farmaceutica Do Brasil Ltda.	31-03-17	100%	BRL	20.55	818	(1,212)	556	162	162	-	52	(180)	-	(180)	-
12	Dr. Reddy's Laboratories (Australia) Pty. Limited	31-03-17	100%	AUD	49.58	35	(503)	881	413	413	-	820	(6)	-	(6)	-
13	Dr. Reddy's Laboratories (Canada) Inc.	31-03-17	100%	CAD	48.59	-	105	34	139	139	-	131	-	-	-	-
14	Dr. Reddy's Laboratories (EU) Limited	31-03-17	100%	GBP	80.90	723	2,400	787	3,910	3,910	-	1,838	968	192	776	-
15	Dr. Reddy's Laboratories (Proprietary) Limited	31-03-17	100%	ZAR	4.85	-	152	634	786	786	-	1,241	(11)	19	(30)	-
16	Dr. Reddy's Laboratories (UK) Limited	31-03-17	100%	GBP	80.90	-	1,653	1,490	3,143	3,143	-	3,206	221	81	140	-
17	Dr. Reddy's Laboratories Inc.[1]	31-03-17	100%	USD	64.85	580	18,361	34,934	53,875	53,875	-	66,073	8,315	(831)	9,146	-
18	Dr. Reddy's Laboratories International SA	31-03-17	100%	CHF	64.83	275	-	1	276	276	-	-	(3)	-	(3)	-
19	Dr. Reddy's Laboratories Japan KK	31-03-17	100%	JPY	0.58	14	(13)	-	1	1	-	-	(12)	-	(12)	-
20	Dr Reddy's Laboratories Kazakhstan LLP	31-03-17	100%	KZT	0.21	31	(4)	13	40	40	-	-	(4)	-	(4)	-
21	Dr. Reddy's Laboratories LLC, Ukraine	31-03-17	100%	UAH	2.40	71	(20)	926	977	977	-	1,500	(432)	14	(446)	-
22	Dr. Reddy's Laboratories Louisiana LLC[1]	31-03-17	100%	USD	64.85	-	1,803	1,989	3,792	3,792	-	2,853	(792)	-	(792)	-
23	Dr. Reddy's Laboratories New York, Inc.	31-03-17	100%	USD	64.85	-	(568)	1,766	1,198	1,198	-	-	(586)	4	(590)	-
24	Dr. Reddy's Laboratories Romania SRL	31-03-17	100%	RON	15.23	24	143	34	201	201	-	410	20	11	9	-
25	Dr. Reddy's Laboratories SA	31-03-17	100%	USD	64.85	5,027	32,613	32,258	69,898	69,898	-	14,237	(1,186)	(46)	(1,140)	-
26	Dr. Reddy's Laboratories SAS	31-03-17	100%	COP	0.02	49	(51)	138	136	136	-	63	(24)	-	(24)	-
27	Dr. Reddy's Laboratories Tennessee, LLC[1]	31-03-17	100%	USD	64.85	1,120	(2,962)	2,159	317	317	-	282	(825)	-	(825)	-

All amounts in Indian Rupees millions, except share data and where otherwise stated

		AS AT 31 MARCH 2017										FOR THE YEAR ENDED 31 MARCH 2017				
SL. NO.	NAME OF THE SUBSIDIARY	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
28	Dr. Reddy's New Zealand Limited	31-03-17	100%	NZD	45.31	-	52	20	72	72	-	91	5	-	5	-
29	Dr. Reddy's Pharma SEZ Limited	31-03-17	100%	INR	1.00	1	(1)	-	-	-	-	-	-	-	-	-
30	Dr. Reddy's Research Foundation	31-03-17	100%	INR	1.00	-	5	20	25	25	-	-	(1)	20	(21)	-
31	Dr. Reddy's Singapore PTE. LTD.	31-03-17	100%	SGD	46.41	25	16	1	42	42	-	35	2	-	2	-
32	Dr. Reddy's Srl	31-03-17	100%	EUR	69.29	6	(868)	906	44	44	-	19	(42)	-	(42)	-
33	Dr. Reddy's Venezuela, C.A.	31-03-17	100%	VEF	0.09[4]	58	(4,087)	4,094	65	65	-	17	(19)	-	(19)	-
34	DRL Impex Limited	31-03-17	100%	INR	1.00	760	(762)	16	14	14	-	-	(2)	-	(2)	-
35	Euro Bridge Consulting B.V.	31-03-17	100%	EUR	69.29	41	113	-	154	154	-	-	(3)	-	(3)	-
36	Idea2Enterprises (India) Private Ltd.	31-03-17	100%	INR	1.00	25	1,510	4	1,539	1,539	-	-	-	-	-	-
37	Imperial Credit Private Limited (w e f 22.02.2017)	31-03-17	100%	INR	1.00	12	9	-	21	21	-	-	-	-	-	-
38	Industrias Quimicas Falcon de Mexico, S.A. de C.V.	31-03-17	100%	MXN	3.45	594	(189)	3,075	3,480	3,480	-	3,746	350	140	210	-
39	Kunshan Rotam Reddy Pharmaceutical Company Limited[5]	31-03-17	51.33%	RMB	9.41	-	-	-	-	-	-	-	-	-	349	-
40	Lacock Holdings Limited	31-03-17	100%	EUR	69.29	1	125	21	147	147	-	-	(32)	-	(32)	-
41	Dr. Reddy's Research and Development B.V. (formerly Octoplus BV)	31-03-17	100%	EUR	69.29	451	(838)	1,483	1,096	1,096	-	259	(15)	(78)	63	-
42	OctoPlus Development B.V. [3]	31-03-17	100%	EUR	69.29	-	-	-	-	-	-	782	366		366	-
43	OctoPlus PolyActive Sciences B.V.[3]	31-03-17	100%	EUR	69.29	-	-	-	-	-	-	-	0	-	0	-
44	OctoPlus Sciences B.V.[3]	31-03-17	100%	EUR	69.29	-	-	-	-	-	-	-	(18)	-	(18)	-
45	OctoPlus Technologies B.V.[3]	31-03-17	100%	EUR	69.29	-	-	-	-	-	-	-	(254)	-	(254)	-
46	OctoShare B.V.[3]	31-03-17	100%	EUR	69.29	-	-	-	-	-	-	-	(39)	-	(39)	-
47	OOO Dr. Reddy's Laboratories Ltd.	31-03-17	100%	RUB	1.15	738	1,079	10,288	12,105	12,105	-	14,812	(862)	61	(923)	-
48	OOO DRS LLC	31-03-17	100%	RUB	1.15	30	89	106	225	225	-	-	(18)	-	(18)	-
49	Promius Pharma LLC[1]	31-03-17	100%	USD	64.85	1,713	(12,509)	12,688	1,892	1,892	-	1,663	(3,230)	-	(3,230)	-
50	Reddy Antilles N.V.	31-03-17	100%	USD	64.85	52	(186)	354	220	220	-	-	10	-	10	-
51	Reddy Holding GmbH[2]	31-03-17	100%	EUR	69.29	2	20,200	8,034	28,236	28,236	-	-	2,620	1,112	1,508	-
52	Reddy Netherlands B.V.	31-03-17	100%	EUR	69.29	7	2,713	22	2,742	2,742	-	-	(63)	(25)	(38)	-
53	Reddy Pharma Iberia SA	31-03-17	100%	EUR	69.29	566	(526)	30	70	70	-	20	(11)	-	(11)	-
54	Reddy Pharma Italia S.R.L. (formerly Reddy Pharma Italia S.p.A.)	31-03-17	100%	EUR	69.29	63	(124)	1,089	1,028	1,028	-	-	(1)	-	(1)	-
55	Reddy Pharma SAS	31-03-17	100%	EUR	69.29	72	(60)	16	28	28	-	-	(41)	-	(41)	-
56	Reddy Cheminor S A[6]	31-03-17	100%	EUR	69.29	-	-	-	-	-	-	-	-	-	-	-

[1] *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. 17 - Dr. Reddy's Laboratories Inc.*

[2] *Tax expense for these entities is computed together as per the tax laws of Germany. The total tax expense is presented in Sl. No. 51 - Reddy Holding GmbH.*

[3] *Tax expense for these entities is computed together as per the tax laws of Netherlands. The total tax expense is presented in Sl. No. 41 - Dr. Reddy's Research and Development B.V. These entities are merged with Dr. Reddy's Research and Development B.V., w.e.f. 1 January 2017.*

[4] *6.48 ₹ INR per VEF is derived from the DIPRO rate of VEF 10 per US$. The Company has used DICOM rate of VEF 709 per US$ in the consolidated financial statements for translating Venezuelan subsidiary's net monetary assets.*

[5] *The investment has been accounted using equity method. Refer note 2.23 of consolidated financial statements.*

[6] *Entity liquidated on 20 July 2016.*

Part "B": Associates and joint ventures

SL. NO.	NAME OF THE ASSOCIATE/ JOINT VENTURE	LATEST AUDITED BALANCE SHEET DATE	SHARES OF ASSOCIATE/ JOINT VENTURES HELD BY THE COMPANY ON THE YEAR END			NET WORTH ATTRIBUTABLE TO SHAREHOLDING AS PER LATEST AUDITED BALANCE SHEET	PROFIT/LOSS FOR THE YEAR		DESCRIPTION OF HOW THERE IS A SIGNIFICANT INFLUENCE	REASON WHY THE ASSOCIATE/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%	-	-	-	NA	NA
2	DRSS Solar Power Private Limited, India[1]	31-Mar-17	26,000	-	26%	-	-	-	NA	NA
3	DRES Energy Private Limited,India[2]	31-Mar-17	8,580,000	86	26%	-	(1)	(1)	NA	NA

(1) *DRSS Solar Power Private Limited, India is under liquidation.*
(2) *DRES Energy Private Limited is yet to commence operations.*

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
Place : Hyderabad	**Saumen Chakraborty**	President & Chief Financial Officer
Date : 12 May 2017	**Sandeep Poddar**	Company Secretary

ANNEXURE-III

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 or transactions	
(f)	Date(s) of approval by the board	
(g)	Amount paid as advances, if any	
(h)	Date on which the special resolution was passed in general meeting as required under first proviso to section 188	

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

(a)	Names(s) of the related party and nature of relationship	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-IV

SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

[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 2017 ('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 2017 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 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; and
(ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 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 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, after obtaining necessary approvals, concluded its buyback and bought back 5,077,504 equity shares at an average price of ₹ 3,090.92 per share aggregating to ₹ 1,569.41 crores.

Dr. K R Chandratre
FCS no.: 1370
CP no.: 5144

Place : Pune
Date : 12 May 2017

ANNEXURE - V

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**

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. As on date, the committee comprises Mr. Bharat N Doshi (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: **₹ 20,278,227,923**

4. Prescribed CSR expenditure (two per cent of the amount as in item 3 above): **₹ 405,564,558**

5. Details of CSR spent during the financial year:
   (a) Total amount to be spent for the financial year: **₹ 405,564,558**
   (b) Amount unspent, if any: **NA**
   (c) Manner in which the amount spent during FY2017 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 WAS UNDERTAKEN	AMOUNT OUTLAY (BUDGET) PROJECT OR PROGRAM WISE FOR THE FY2017	AMOUNT SPENT ON THE PROJECTS OR PROGRAMS		CUMULATIVE EXPENDITURE UPTO 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	32,000,000	32,000,000		32,000,000	Dr. Reddy's Foundation
2	Supporting and subsidizing quality education in low income schools	Education	In & around Hyderabad	41,200,000	41,200,000		41,200,000	Pudami Education Society
3	Quality education program in Government Schools -SIP	Education	In vicinity of plant locations	53,664,000	53,664,000		53,664,000	Dr. Reddy's Foundation
4	Initiatives for promoting education	Education	In vicinity of plant locations	1,400,000	3,347,992		3,347,992	Direct
5	Enabling higher education in liberal arts	Education	Gurgaon, Haryana	50,000,000	50,000,000		50,000,000	Ashoka University
6	Quality education in science	Education	In Andhra Pradesh	3,600,000	3,075,762		3,075,762	Agastya International Foundation
7	Chair in chemical science	Education	-	5,000,000	5,000,000		5,000,000	University of Hyderabad
8	Livelihood programs for youth & people with disability programs	Livelihood	Across India	183,000,000	183,000,000		183,000,000	Dr. Reddy's Foundation
9	Livelihood project	Livelihood	Across India	8,079,940	6,473,666		6,473,666	Dr. Reddy's Foundation
10	Employment enhancing vocation skills and livelihood enhancement projects	Livelihood	In vicinity of plant locations	5,000,000	820,987		820,987	Direct
11	Farmer field school project	Livelihood	In Andhra Pradesh	6,500,000	5,729,839		5,729,839	Naandi Foundation
12	Psychological health support	Health	In & around Hyderabad	1,220,000	1,525,000		1,525,000	Roshni Trust
13	Community health intervention program in maternal and child health	Health	In vicinity of plant locations	32,471,711	19,311,672		19,311,672	Nice Foundation
14	Capacity building of social sector professionals	Leadership building	Hyderabad	1,000,000	840,000		840,000	Centre for Social Initiative and Management - Hyderabad
15	Capacity building of social sector professionals	Leadership building	Across India	4,841,100	4,841,100		4,841,100	Naandi Foundation
16	Program management cost	Capacity building	-	8,700,000	9,019,829		9,019,829	NA
17	Rural development and infrastructure around units including road safety	Rural development	In vicinity of plant locations	4,500,000	6,808,729		6,808,729	Direct
18	Provisional budget	-	-	1,500,000	-		-	-
	Grand total			443,676,751	426,658,576		426,658,576	

* *For FY2017, the data on overheads is 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: **NA**

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

Bharat N Doshi
Chairman, CSR committee

ANNEXURE - VI

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 and the percentage increase in remuneration of each director, CEO, CFO and CS for FY2017:

NAME	DESIGNATION	RATIO OF REMUNERATION OF EACH DIRECTOR TOTHE MEDIAN REMUNERATION OF EMPLOYEES	% INCREASE/(DECREASE) IN REMUNERATION DURING FY2017
Mr. K Satish Reddy(1)	Chairman	173	(18)
Mr. G V Prasad(1)	Co-Chairman and CEO	233	(18)
Dr. Omkar Goswami	Independent director	20	(14)
Mr. Ravi Bhoothalingam(2)	Independent director	10	(57)
Mr. Anupam Puri	Independent director	23	(12)
Mr. Bharat N Doshi(3)	Independent director	23	NA
Ms. Kalpana Morparia	Independent director	22	(18)
Dr. Bruce L A Carter	Independent director	21	(13)
Dr. Ashok S Ganguly	Independent director	20	(19)
Mr. Sridar Iyengar	Independent director	22	(13)
Mr. Hans Peter Hasler(3)	Independent director	16	NA
Mr. Saumen Chakraborty(4)	Chief financial officer (CFO)	NA	44
Mr. Sandeep Poddar(4)	Company secretary (CS)	NA	25

(1) *Includes commission, salary and perquisites. They do not receive any amount as remuneration from any subsidiary company.*
(2) *Remuneration for part of the year, the term as an independent director ended on 27 July 2016.*
(3) *Appointed as independent director in FY2017.*
(4) *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 9% in FY2017.

(iii) The number of permanent employees on the rolls of the company as on 31 March 2017 is 22,681.

(iv) Average percentage increase in the salaries of employees other than KMPs for FY2017 was 11% as compared to FY2016. There was a decrease of 9% in the total remuneration of KMPs for the same period.

(v) It is hereby affirmed that the remuneration paid during FY2017 is as per the remuneration policy of the company.

K Satish Reddy
Chairman

ANNEXURE-VII

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, 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 ₹ 110 million.

Major categories of energy projects are:

1. **Installation of innovative technology:** Horizontal deployment of replacement of conventional motor blower technology with electronically commuted (EC) motors technology in HVAC systems across FTO sites. Horizontal deployment of automatic tube cleaning system in refrigeration chillers, zero purge loss air dryers/HOC drier for compressed air. Installation of brine chiller replacing number of dehumidifiers from operation. Horizontal deployment of idea of emulsification of furnace oil to reduce the consumption in boilers. Power management system for synchronization of DG sets & load sharing. Replacement of old motors, voltage transformers for lighting loads, use of LED lights and installation of occupancy sensors to control lighting. Non chemical water treatment technology for cooling tower water as a pilot for FTO 3.

2. **Optimization of designs and operational efficiencies:** Optimization of compressed air pressure and integration of piping of compressors and integration of chillers. Arresting the air leakages and reduction of the unloading hours of air compressor units. Replacement of pumps, chillers, electric heaters by steam coils for AHUs and compressors to enhance energy efficiency. Optimization of HVAC usage by shut down/sleep mode operations based on working areas of plant. Enhancing the efficiencies of refrigerant compressors by adopting artic master and ECO plug technology. Boiler efficiency improvement by automation, better condensate recovery. Consolidation and optimized utilization of chilled water/brine/air/nitrogen compressors based on load for CTO sites.

3. **Identifying cheaper power sources and optimization of resources:** Effective use of IEX power, signing the agreement and power purchase from alternate solar power suppliers for two plants. Solar power of 10 MW capacity at a cheaper rate as compared to the DISCOM price has been arranged for FTO 2 and 7 plants. Roof top solar modules of capacity 300 KW have been installed and power is being supplied at a cheaper unit rate. 8 MW solar power plant under JV structure have been commissioned and synchronized with the grid for supply of power at FTO 3, CTO 3 & 4 at cheaper rates. 300 KW capacity roof top solar modules have been installed and are under the commissioning stage at FTO 6.

(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 on 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 a quality 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) - a) Details of technology imported b) Year of import c) Whether the technology been fully absorbed d) If not fully absorbed, areas where absorption has not taken place, and the reasons therefore;	No imported technology

	FY2017	FY2016
iv. Expenditure incurred on R&D		
a) Capital (₹ million)	1,100	1,405
b) Recurring (₹ million)*	13,654	12,738
c) Total (₹ million)	14,754	14,143
Total R&D expenditure as a percentage of revenue from operations	15.18%	13.74%

** Excluding depreciation and amortization*

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

Please refer information given in the note nos 2.24, 2.25 and 2.26 of the notes to the standalone financial statements.

K Satish Reddy
Chairman

ANNEXURE-VIII

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN
as on the financial year ended on 31 March 2017
(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	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: bsshyd@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	Milan, via Piazza Santa Maria Beltrade 1, Italy	NA	Subsidiary	100	2(87)(ii)
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)

SL. NO.	NAME OF THE COMPANY	ADDRESS OF THE COMPANY	CIN/GLN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% OF SHARES HELD*	APPLICABLE SECTION
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	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 Holding GmbH	Kobelweg-95, 86156 Augsburg, Germany	NA	Subsidiary	100	2(87)(ii)
20	beta Institut gemeinnützige GmbH	Kobelweg-95, 86156 Augsburg, Germany	NA	Subsidiary	100	2(87)(ii)
21	betapharm Arzneimittel GmbH	Kobelweg-95, 86156 Augsburg, Germany	NA	Subsidiary	100	2(87)(ii)
22	Lacock Holdings Ltd	10, Diomidious Street, Alphamega Akropolis Bldg, 3rd floor, Office 401, 2024 Nicosia, Cyprus	NA	Subsidiary	100	2(87)(ii)
23	Reddy Netherlands B.V.	Prins Bernhardplein 200, 1097 JB Amsterdam, Netherlands	NA	Subsidiary	100	2(87)(ii)
24	Reddy Antilles N.V.	Landhuis Joonchi Kaya Richard Beajon z/n., Curacao	NA	Subsidiary	100	2(87)(ii)
25	Dr. Reddy's Laboratories SA	Elisabethenanlage 11, CH-4051, Basel. Switzerland	NA	Subsidiary	100	2(87)(ii)
26	Dr. Reddy's Laboratories International SA	Elisabethenanlage 11, CH-4051, Basel. Switzerland	NA	Subsidiary	100	2(87)(ii)
27	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)
28	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)
29	Dr. Reddy's Laboratories New York, Inc.	1974, State Route, 145 Middleburgh, NY 12122, USA	NA	Subsidiary	100	2(87)(ii)
30	Dr. Reddy's Laboratories LLC	121A, Lenin str., v. Velika, Oleksandrivka, Borispil region, Kyiv oblast, Ukraine	NA	Subsidiary	100	2(87)(ii)
31	Dr. Reddy`s Research and Development B.V. (formerly known as OctoPlus B.V.)	Zernikedreef 12,23333 CL Leiden, The Netherlands	NA	Subsidiary	100	2(87)(ii)
32	Dr. Reddy's Laboratories Canada Inc.	2425, Matheson Blvd E, 7th Floor, Mississauga, L4W5K4	NA	Subsidiary	100	2(87)(ii)
33	Dr. Reddy's Singapore Pte. Ltd.	16, Raffles Quay # 33-03 Hong Leong Bldg, Singapore- 048581.	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
34	Dr. Reddy's Laboratories SAS	Avenida Carrera 9, No. 113-52, Edificio Torres Unidas 2, Bagota D.C., Colombia	NA	Subsidiary	100	2(87)(ii)
35	Aurigene Discovery Technologies Inc.	107, College Road East, Princeton, New Jersey – 08540 USA	NA	Subsidiary	100	2(87)(ii)
36	Euro Bridge Consulting B.V.,	Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands	NA	Subsidiary	100	2(87)(ii)
37	OOO DRS LLC	20, Ovchinnikovskaya Emb, Moscow. Russia	NA	Subsidiary	100	2(87)(ii)
38	Dr. Reddy's Laboratories Japan KK	Kabutoch, 1st Heiwa Building, 3F, 5-1 Nihonbashi Kabutocho, Chuo-Ku, Tokyo 103-0026	NA	Subsidiary	100	2(87)(ii)
39	Reddy Pharma SAS	17 Rue Pierre Et Michel Dreyfus – Schmidt 90000, Belfort, France	NA	Subsidiary	100	2(87)(ii)
40	Dr. Reddy's Laboratories Kazakhstan LLP (incorporated on 30 November 2016)	House 45, Street 22 Line, Almaty, 050057, Kazakhstan	NA	Subsidiary	100	2(87)(ii)
41	Aurigene Discovery Technologies Limited	39-40, KIADB Industrial Area, Electronic City Phase II, Bengaluru – 560100, India	U24239KA2001PLC029391	Subsidiary	100	2(87)(ii)
42	DRL Impex Limited	7-1-27, Ameerpet, Hyderabad-500016, India	U65990TG1986PLC006695	Subsidiary	100	2(87)(ii)
43	Dr. Reddy's Bio-Sciences Limited	7-1-27, Ameerpet, Hyderabad-500016, India	U72200TG2000PLC034765	Subsidiary	100	2(87)(ii)
44	Idea2Enterprises (India) Pvt. Limited	7-1-27, Ameerpet, Hyderabad-500016, India	U72200TG2000PTC034473	Subsidiary	100	2(87)(ii)
45	Cheminor Investments Limited	7-1-27, Ameerpet, Hyderabad-500016, India	U67120TG1990PLC010931	Subsidiary	100	2(87)(ii)
46	Dr. Reddy's Pharma SEZ Limited	7-1-27, Ameerpet, Hyderabad-500016, India	U24233TG2009PLC064271	Subsidiary	100	2(87)(ii)
47	Imperial Credit Private Limited (effective from 22 February 2017)	2nd Floor, BA-38, Sector - 1, Salt Lake Kolkata Kolkata WB 700064 IN	U06519WB1991PTC052604	Subsidiary	100	2(87)(ii)
48	DRSS Solar Power Private Limited	C2, Pooja Plaza, Vikrampuri, Secunderabad, Telangana – 500009	U40101TG2013PTC090678	Joint venture	26	2(6)
49	DRANU LLC	C/o. Emerging Enterprise Centre, 1000 Winter Street, Suite 4000, Waltham, MA 02451, USA	NA	Joint venture	50	2(6)
50	DRES Energy Private Limited	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. SHARE HOLDING 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	
A. PROMOTERS									
(1) Indian									
a) Individual/HUF	3,688,528	-	3,688,528	2.16	3,771,828	-	3,771,828	2.28	0.12
b) Central Govt.	-	-	-	-	-	-	-	-	-
c) State Govt(s).	-	-	-	-	-	-	-	-	-
d) Bodies corp.	39,961,234	-	39,961,234	23.42	40,627,000	-	40,627,000	24.51	1.09
e) Banks/FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
Sub-total (A)(1)	43,649,762	-	43,649,762	25.58	44,398,828	-	44,398,828	26.79	1.21
(2) Foreign									
a) NRIs-individuals	-	-	-	-	-	-	-	-	-
b) Other-individuals	-	-	-	-	-	-	-	-	-
c) Bodies corp.	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-	-
Sub-total (A)(2)	-	-	-	-	-	-	-	-	-
Total shareholding of Promoter (A)=(A)(1)+(A)(2)	43,649,762	-	43,649,762	25.58	44,398,828	-	44,398,828	26.79	1.21
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual funds/UTI	5,443,405	2,926	5,446,331	3.19	7,925,274	2,490	7,927,764	4.79	1.60
b) Banks/FI	266,370	4,758	271,128	0.16	462,994	3,986	466,980	0.28	0.12
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt(s).	-	-	-	-	-	-	-	-	-
e) Venture capital funds	-	-	-	-	-	-	-	-	-
f) Insurance companies	4,558,143	400	4,558,543	2.67	9,101,365	400	9,101,765	5.49	2.82
g) FIIs/FPIs	65,994,077	11,000	66,005,077	38.70	53,683,200	11,000	53,694,200	32.40	(6.30)
h) Foreign venture capital funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
Sub-total (B)(1)	76,261,995	19,084	76,281,079	44.72	71,172,833	17,876	71,190,709	42.96	(1.76)
(2) Non-Institutions									
a) Bodies corp									
i) Indian	5,917,231	21,796	5,939,027	3.48	5,056,734	19,576	5,076,310	3.06	(0.42)
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	11,138,420	1,395,737	12,534,157	7.35	12,109,108	1,017,249	13,126,357	7.92	0.57
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	751,071	63,778	814,849	0.48	674,293	26,890	701,183	0.42	(0.06)
c) Others (specify)									
i) Trust	534,368	-	534,368	0.31	1,030,600	-	1,030,600	0.62	0.31
ii) Clearing member	180,057	-	180,057	0.11	599,465	-	599,465	0.36	0.25
iii) NRIs	1,555,869	529,914	2,085,783	1.22	1,614,887	283,678	1,898,565	1.15	(0.07)
iv) Foreign nationals	5,762	-	5,762	0.00	13,949	-	13,949	0.01	0.01
v) Unclaimed suspense escrow account	-	-	-	-	533,803	-	533,803	0.32	0.32
Sub-total (B)(2)	20,082,778	2,011,225	22,094,003	12.95	21,632,839	1,347,393	22,980,232	13.86	0.91
Total public shareholding (B)=(B)(1)+ (B)(2)	96,344,773	2,030,309	98,375,082	57.67	92,805,672	1,365,269	94,170,941	56.82	(0.85)
C. SHARES HELD BY CUSTODIAN FOR ADRs	28,582,809	-	28,582,809	16.75	27,171,944	-	27,171,944	16.39	(0.36)
Grand-total (A+B+C)	168,577,344	2,030,309	170,607,653	100.00	164,376,444	1,365,269	165,741,713	100.00	-

ii) Shareholding of promoters

SL. NO.	CATEGORY OF SHAREHOLDERS	NO. OF SHARES HELD AT THE BEGINNING OF THE YEAR			NO. OF SHARES HELD AT THE END OF THE YEAR			% CHANGE DURING THE YEAR
		NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY	% OF SHARES PLEDGED/ ENCUMBERED TO TOTAL SHARES*	NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY	% OF SHARES PLEDGED/ ENCUMBERED TO TOTAL SHARES*	
1	Dr. Reddy's Holdings Limited	39,961,234	23.42	-	40,627,000	24.51	-	1.09
2	Mr. K Satish Reddy	1,205,832	0.71	-	1,310,332	0.79	0.45	0.08
3	Mrs. K Samrajyam	1,115,360	0.65	-	1,115,360	0.67	-	0.02
4	Mr. G V Prasad	1,365,840	0.80	-	1,344,640	0.81	0.38	0.01
5	Mrs. G Anuradha	1,496	0.00	-	1,496	0.00	-	-
6	Mrs. 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	G Sharathchandra Reddy	0	0	-	0	0	-	-
14	K Shravya Reddy	0	0	-	0	0	-	-
	Total	**43,649,762**	**25.58**	**-**	**44,398,828**	**26.79**	**0.83**	**1.21****

* *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 2017. Mr. K Satish Reddy and Mr. G V Prasad pledged 746,500 equity shares on 1 September 2016 and 622,080 equity shares on 8 September 2016, respectively.*

** *Also includes impact of ~0.79% on account of buyback, during the year.*

iii) Change in promoters' shareholding

CATEGORY OF SHAREHOLDERS	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	43,649,762	25.58		
Date wise increase/decrease in promoters' shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc):	Impact of buyback*	0.79		
	749,066#	0.42	44,398,828	26.79
At the end of the year	**44,398,828**	**26.79**		

* *During the year, the company bought back and extinguished an aggregate of 5,077,504 equity shares. The buyback of equity shares was done from the open market through stock exchanges. This reduced the number of outstanding equity shares.*

\# *Details of equity shares purchased by promoters during the year:*

SL. NO.	NAME	SHAREHOLDING		DATE	INCREASE/ (DECREASE) IN SHARE-HOLDING	REASON	CUMULATIVE SHAREHOLDING DURING THE YEAR	
		NO. OF SHARES AT THE BEGINNING OF THE YEAR	% OF TOTAL SHARES OF THE COMPANY				NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY
1	Dr. Reddy's Holdings Limited	39,961,234	23.42	01-04-2016				
				02-08-2016	67,000	Purchase	40,028,234	24.15
				02-08-2016	67,000	Purchase	40,095,234	24.19
				03-08-2016	17,000	Purchase	40,112,234	24.20
				02-09-2016	90,000	Purchase	40,202,234	24.26
				08-09-2016	766	Purchase	40,203,000	24.26
				13-01-2017	212,000	Inter-se	40,415,000	24.38
				16-01-2016	212,000	transfer	40,627,000	24.51
				31-03-2017	-	-	40,627,000	24.51

SL. NO.	NAME	SHAREHOLDING		DATE	INCREASE/ (DECREASE) IN SHARE-HOLDING	REASON	CUMULATIVE SHAREHOLDING DURING THE YEAR	
		NO. OF SHARES AT THE BEGINNING OF THE YEAR	% OF TOTAL SHARES OF THE COMPANY				NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY
2	Mr. K Satish Reddy Chairman	1,205,832	0.71	01-04-2016				
				07-09-2016	32,000	Purchase	1,237,832	0.75
				08-09-2016	32,000	Purchase	1,269,832	0.77
				09-09-2016	6,067	Purchase	1,275,899	0.77
				12-09-2016	42,933	Purchase	1,318,832	0.80
				14-09-2016	32,000	Purchase	1,350,832	0.82
				15-09-2016	33,000	Purchase	1,383,832	0.83
				16-09-2016	40,000	Purchase	1,423,832	0.86
				19-09-2016	28,000	Purchase	1,451,832	0.88
				20-09-2016	18,000	Purchase	1,469,832	0.89
				21-09-2016	20,000	Purchase	1,489,832	0.90
				22-09-2016	25,000	Purchase	1,514,832	0.91
				23-09-2016	500	Purchase	1,515,332	0.91
				26-09-2016	21	Purchase	1,515,353	0.91
				27-09-2016	6,979	Purchase	1,522,332	0.92
				13-01-2017	(212,000)	Inter-se transfer	1,310,332	0.79
				31-03-2017	-	-	1,310,332	0.79
3	Mr. G V Prasad Co-Chairman & CEO	1,365,840	0.80	01-04-2016				
				29-09-2016	44,000	Purchase	1,409,840	0.85
				30-09-2016	60,000	Purchase	1,469,840	0.89
				03-10-2016	25,000	Purchase	1,494,840	0.90
				04-10-2016	41,000	Purchase	1,535,840	0.93
				05-10-2016	20,000	Purchase	1,555,840	0.94
				06-10-2016	800	Purchase	1,556,640	0.94
				16-01-2017	(212,000)	Inter-se transfer	1,344,640	0.81
				31-03-2017	-	-	1,344,640	0.81

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	7,255,073	4.25	5,286,227	3.19
2	National Westminster Bank Plc. as depositary of First State Asia Pacific Leaders Fund - a sub-fund of First State Investments ICVC	4,985,776	2.92	5,377,008	3.24
3	Government of Singapore	2,565,584	1.50	2,076,004	1.25
4	Franklin Templeton Investment Funds	2,558,701	1.50	2,184,775	1.32
5	Teluk Kemang Investments (Mauritius) Limited	2,075,536	1.22	2,015,592	1.22
6	Life Insurance Corporation of India	1,816,689	1.06	4,132,738	2.49
7	National Westminster Bank Plc. as depositary of First State Global Emerging Markets Leaders Fund - a sub-fund of First State Investments ICVC	1,678,354	0.98	1,947,863	1.18
8	First State Investments (Hong Kong) Limited a/c First State Asian Equity Plus Fund#	1,431,771	0.84	910,172	0.55
9	ICICI Prudential Life Insurance Company Limited	1,424,404	0.83	1,672,159	1.01
10	ISHARES India Index Mauritius Company	1,385,092	0.81	1,383,306	0.83
11	Life Insurance Corporation of India P & GS Fund*	805,637	0.47	1,682,747	1.02

 # Ceased to be in the list of top 10 shareholders as on 31 March 2017 but was one of the top 10 shareholders as on 1 April 2016.
** Not in the list of top 10 shareholders as on 1 April 2016 but was one of the top 10 shareholders as on 31 March 2017.*

v) Shareholding of directors and key managerial personnel

SL. NO.	NAME	DATE	SHAREHOLDING AT THE BEGINNING OF THE YEAR		INCREASE/ (DECREASE) IN SHARE-HOLDING, IF ANY	REASON	CUMULATIVE SHAREHOLDING DURING THE YEAR	
			NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY			NO. OF SHARES	% OF TOTAL SHARES OF THE COMPANY
A.	**Directors**							
1	Mr. K Satish Reddy Chairman	01-04-2016	1,205,832	0.71				
		07-09-2016			32,000	Purchase	1,237,832	0.75
		08-09-2016			32,000	Purchase	1,269,832	0.77
		09-09-2016			6,067	Purchase	1,275,899	0.77
		12-09-2016			42,933	Purchase	1,318,832	0.80
		14-09-2016			32,000	Purchase	1,350,832	0.82
		15-09-2016			33,000	Purchase	1,383,832	0.83
		16-09-2016			40,000	Purchase	1,423,832	0.86
		19-09-2016			28,000	Purchase	1,451,832	0.88
		20-09-2016			18,000	Purchase	1,469,832	0.89
		21-09-2016			20,000	Purchase	1,489,832	0.90
		22-09-2016			25,000	Purchase	1,514,832	0.91
		23-09-2016			500	Purchase	1,515,332	0.91
		26-09-2016			21	Purchase	1,515,353	0.91
		27-09-2016			6,979	Purchase	1,522,332	0.92
		13-01-2017			(212,000)	Inter-se transfer	1,310,332	0.79
		31-03-2017	1,310,332	0.79			1,310,332	0.79
2	Mr. G V Prasad Co-Chairman & CEO	01-04-2016	1,365,840	0.80				
		29-09-2016			44,000	Purchase	1,409,840	0.85
		30-09-2016			60,000	Purchase	1,469,840	0.89
		03-10-2016			25,000	Purchase	1,494,840	0.90
		04-10-2016			41,000	Purchase	1,535,840	0.93
		05-10-2016			20,000	Purchase	1,555,840	0.94
		06-10-2016			800	Purchase	1,556,640	0.94
		16-01-2017			(212,000)	Inter-se transfer	1,344,640	0.81
		31-03-2017	1,344,640	0.81			1,344,640	0.81
3	Dr. Omkar Goswami Independent director	01-04-2016	22,800	0.01				
		31-03-2017	22,800	0.01			22,800	0.01
4	Mr. Hans Peter Hasler# Independent director	17-06-2016	0	0.00				
		31-03-2017	0	0.00			0	0.00
5	Ms. Kalpana Morparia Independent director	01-04-2016	10,800	0.01				
		31-03-2017	10,800	0.01			10,800	0.01
6	Dr. Ashok S Ganguly Independent director	01-04-2016	4,800	0.00				
		31-03-2017	4,800	0.00			4,800	0.00
7	Mr. Sridar Iyengar Independent director	01-04-2016	0	0.00				
		31-03-2017	0	0.00			0	0.00
8	Dr. Bruce L A Carter* Independent director	01-04-2016	7,800	0.00				
		31-03-2017	7,800	0.00			7,800	0.00
9	Mr. Anupam Puri* Independent director	01-04-2016	18,302	0.01				
		05-10-2016			4,802	Sale	13,500	0.01
		31-03-2017	13,500	0.01			13,500	0.01
10	Mr. Bharat N Doshi# Independent director	11-05-2016	1,000	0.00				
		31-03-2017	1,000	0.00			1,000	0.00
11	Mr. Ravi Bhoothalingam** Independent director	01-04-2016	22,800	0.01				
		27-07-2016	22,800	0.01			22,800	0.01
B.	**Key Managerial Personnel (KMPs)**							
12	Mr. Saumen Chakraborty President & CFO	01-04-2016	31,500	0.02				
		11-07-2016			2,000	ESOP	33,500	0.02
		22-08-2016			1,750	ESOP	35,250	0.02
		31-03-2017	35,250	0.02			35,250	0.02
13	Mr. Sandeep Poddar Company secretary	01-04-2016	1,350	0.00				
		22-08-2016			469	ESOP	1,819	0.00
		31-03-2017	1,819	0.00			1,819	0.00

** Holding ADRs*
*** Term ended on 27 July 2016 as an independent director*
 # The opening holding has been considered from the date on which they were appointed as 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
Indebtedness at the beginning of the financial year (1 April 2016)				
i) Principal amount	9	30,842	-	30,851
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	7	-	7
Total (i+ii+iii)	9	30,849	-	30,858
Change in indebtedness during the financial year				
Addition, net	-	-	-	-
Reduction, net	8	7,291	-	7,299
Reduction in interest accrued but not due on loan, net	-	13	-	13
Net change	(8)	(7,278)	-	(7,286)
Indebtedness at the end of the financial year (31 March 2017)				
i) Principal amount	1	23,551	-	23,552
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	20	-	20
Total (i+ii+iii)	1	23,571	-	23,572

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	18.52	24.84
	(b) Value of perquisites u/s.17(2) Income-tax Act, 1961	0.63	1.80	2.43
	(c) Profits in lieu of salary u/s. 17(3) Income- tax Act, 1961	-	-	-
2	Stock option	-	-	-
3	Sweat equity	-	-	-
4	Commission			
	- as a % of profit	63.00	75.00	138.00
	- others	-	-	-
5	Others, please specify			
	- Company provided car	1.99	0.98	2.97
	- Company's contribution to PF	0.50	1.44	1.94
	Total (A)	72.44	97.74	170.18
	Ceiling as per the Act ₹ 1,498.7 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 BHOOTHALINGAM[1]	KALPANA MORPARIA	DR. ASHOK S GANGULY	SRIDAR IYENGAR	DR. BRUCE L A CARTER	BHARAT N DOSHI[2]	ANUPAM PURI	HANS PETER HASLER[2]	
1	Independent directors										
	- Fee for attending board and committee meetings	-	-	-	-	-	-	-	-	-	-
	- Commission	8.37	4.35	9.03	8.37	9.09	8.77	9.69	9.75	6.66	74.08
	- Others, please specify	-	-	-	-	-	-	-	-		-
	Total (1)	8.37	4.35	9.03	8.37	9.09	8.77	9.69	9.75	6.66	74.08
2	Other non-executive directors										
	- Fee for attending board and committee meetings	-	-	-	-	-	-	-	-	-	-
	- Commission	-	-	-	-	-	-	-	-	-	-
	- Others, please specify	-	-	-	-	-	-	-	-	-	-
	Total (2)	-	-	-	-	-	-	-	-	-	-
	Total (B)=(1+2)	8.37	4.35	9.03	8.37	9.09	8.77	9.69	9.75	6.66	74.08
	Overall ceiling as per Act	₹ 149.87 million (being 1% of the net profits of the company calculated as per section 198 of the Companies Act, 2013)									
	Total managerial remuneration* (total of A and B)										244.26

* *Total remuneration to managing/whole-time directors and other directors.*

(1) *Term ended on 27 July 2016 as an independent director.*

(2) *Appointed as an independent director in FY2017*

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	
1	Gross salary	Not Applicable			
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961		40.53	7.11	47.64
	(b) Value of perquisites u/s. 17(2) Income-tax Act, 1961		0.93	0.16	1.09
	(c) Profits in lieu of salary u/s. 17(3) Income- tax Act, 1961		-	-	-
2	Stock option*		12.20	1.28	13.48
3	Sweat equity		-	-	-
4	Commission		-	-	-
	- as a % of profit		-	-	-
	- others		-	-	-
5	Others, please specify				
	- Company's contribution to PF		1.54	0.27	1.81
	Total (A)		55.20	8.82	64.02

* *Represents intrinsic value (as on grant date) of stock options granted during FY2017. These options vest in 4 years (@25% each year) subject to continued service.*

** *Mr. G V Prasad is co-chairman, managing director and CEO.*

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)
COMPANY/DIRECTORS/OTHER OFFICERS IN DEFAULT					
Penalty	NIL				
Punishment					
Compounding					

K Satish Reddy
Chairman

STANDALONE FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the members of Dr. Reddy's Laboratories Limited

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of Dr. Reddy's Laboratories Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2017, the Statement of Profit and Loss, including Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Auditors' Responsibility

Our responsibility is to express an opinion on these standalone Ind AS 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 of the standalone Ind AS financial statements in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as 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 disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the standalone Ind AS 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 standalone Ind AS 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 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 standalone Ind AS 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 Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2017, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

2. As required by section 143 (3) of the Act, we report that:

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

(e) On the basis of written representations received from the directors as on 31 March 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017, 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 2" to this report;

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

i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer note 2.36 to the standalone Ind AS financial statements;

ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company; and

iv. The Company has provided requisite disclosures in note 2.27 to these standalone Ind AS financial statements as to the holding of Specified Bank Notes on 8 November 2016 and 30 December 2016 as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016. Based on our audit procedures and relying on the management representation regarding the holding and nature of cash transactions, including Specified Bank Notes, we report that these disclosures are in accordance with the books of accounts maintained by the Company and as produced to us by the Management.

Other Matter

The comparative financial information of the Company for the year ended 31 March 2016 and the transition date opening balance sheet as at 1 April 2015 prepared in accordance with Ind AS, included in these standalone Ind AS financial statements, have been audited by the predecessor auditor who had audited the standalone financial statements for the relevant periods. The report of the predecessor auditor on the comparative financial information and the opening balance sheet dated 12 May 2017 expressed an unmodified opinion.

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

per Kaustav Ghose
Partner
Membership Number : 57828

Place : Hyderabad
Date : 12 May 2017

ANNEXURE 1 REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE

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

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

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

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

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

iv. In our opinion and according to the information and explanations given to us, the Company has not advanced loans to directors / to a company in which the director is interested to which, the provisions of section 185 of the Companies Act, 2013 apply and hence not commented upon. In our opinion and according to the information and explanations given to us, the Company has made investments and given guarantees / provided security which is in compliance with the provisions of section 186 of the Companies Act, 2013.

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

vi. We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Companies Act, 2013, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.

vii. (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, cess and other statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess on account of any dispute, are as set out in Appendix 1.

viii. In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowings to a bank or government. There are no dues which are payable to financial institutions. The Company did not have any debenture holders during the year.

ix. In our opinion and according to the information and explanations given by the management, the Company has utilised the monies raised by way of term loans for the purposes for which they were raised. The Company has not raised any money by way of initial public offer / further public offer / debt instruments and hence, not commented upon.

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

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

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

ANNEXURE 1 REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE (CONTINUED)

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

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

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

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

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

per Kaustav Ghose
Partner
Membership Number : 57828

Place : Hyderabad
Date : 12 May 2017

ANNEXURE 2 TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE

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 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to 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 as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting 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' 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 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 2 TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE (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 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

per Kaustav Ghose
Partner
Membership Number : 57828

Place : Hyderabad
Date : 12 May 2017

Appendix 1 as referred to in paragraph vii (b) of Annexure 1 to the Independent Auditors' Report

Name of the Statute	Nature of the dues	Disputed amount in ₹ million	Amount paid under protest in ₹ million	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944	Excise duty	1,632	265	2001-2017	Appellate Authority – upto Commissioners
		306		1998-2016	CESTAT
		40		2002-2008	High Court
	Penalty	142		2004-2016	CESTAT
		4		2001-2002	High Court
Customs Act, 1962	Custom duty	37	1	2003-2014	Appellate Authority – upto Commissioners
		6		2010-2011	High Court
Finance Act, 1994	CENVAT credit of Service Tax	588	143	2005-2016	CESTAT
		103		2005-2016	Appellate Authority – upto Commissioners
	Service Tax	109		2010-2015	CESTAT
	Penalty	340		2005-2016	CESTAT
		25		2005-2016	Appellate Authority – upto Commissioners
	Interest	1		2005-2016	CESTAT
		12		2005-2016	Appellate Authority – upto Commissioners
Central Sales Tax Act and Sales Tax Acts of various States	Sales Tax	177	236	2005-2017	Appellate Authority – upto Commissioners
		119		2002-2013	Sales Tax Appellate Tribunal
		9		2006-2014	High Court
	Penalty	42		2007-2014	Appellate Authority – upto Commissioners
		13		2005-2011	Sales Tax Appellate Tribunal
Income tax Act, 1961	Income tax	1,263	-	2008-2009, 2009-2010, 2012-2013	Commissioner of Income Tax (Appeals)
		1	-	2002-2003	Income Tax Appellate Tribunal

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

BALANCE SHEET

PARTICULARS	NOTE	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
ASSETS				
Non current assets				
Property, plant and equipment	2.1	40,433	35,938	31,294
Capital work-in-progress		5,400	6,150	4,883
Goodwill	2.2	323	323	–
Other intangible assets	2.2	7,665	8,120	1,189
Intangible assets under development	2.3	–	11	108
Financial assets				
Investments	2.4 A	18,028	17,781	17,630
Trade receivables	2.4 B	206	–	–
Loans	2.4 C	1,932	2,200	2,283
Other financial assets	2.4 D	462	479	429
Deferred tax assets (net)	2.30	821	635	–
Current tax assets (net)		2,892	1,491	1,576
Other non current assets	2.5 A	372	613	610
		78,534	**73,741**	**60,002**
Current assets				
Inventories	2.6	18,097	16,996	17,233
Financial assets				
Investments	2.4 A	12,991	32,980	29,761
Trade receivables	2.4 B	44,054	38,895	47,077
Cash and cash equivalents	2.4 E	668	2,021	675
Other financial assets	2.4 D	1,057	2,889	988
Other current assets	2.5 B	9,071	8,330	8,665
		85,938	**102,111**	**104,399**
Total assets		**164,472**	**175,852**	**164,401**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.7	829	853	852
Other equity		115,177	119,931	110,108
		116,006	120,784	110,960
Non current liabilities				
Financial liabilities				
Borrowings	2.8 A	4,852	9,939	9,383
Long term provisions	2.9 A	623	665	498
Deferred tax liabilities (net)	2.30	–	–	610
Other non current liabilities	2.10 A	411	576	263
		5,886	11,180	10,754
Current liabilities				
Financial liabilities				
Borrowings	2.8 B	18,699	20,896	21,857
Trade payables	2.8 C	7,787	7,192	7,160
Other financial liabilities	2.8 D	11,556	12,208	10,376
Provisions	2.9 B	2,084	1,706	1,293
Other current liabilities	2.10 B	2,454	1,886	2,001
		42,580	43,888	42,687
Total equity and liabilities		**164,472**	**175,852**	**164,401**

The accompanying notes are an integral part of the standalone financial statements.

As per our report of even date attached
for S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W/E300004
per Kaustav Ghose
Partner
Membership No. : 57828
Place : Hyderabad
Date : 12 May 2017

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 2017	FOR THE YEAR ENDED 31 MARCH 2016
INCOME			
Sales (inclusive of excise duty)		95,868	100,060
License fees and service income		413	2,288
Other operating income	2.11	917	571
Revenue from operations		97,198	102,919
Other income	2.12	5,912	3,249
Total income		103,110	106,168
EXPENSES			
Cost of materials consumed		18,176	20,727
Purchase of traded goods		6,715	6,104
(Increase)/ decrease in inventories of finished goods, work-in- progress and stock-in-trade	2.13	19	(288)
Conversion charges		870	942
Employee benefits expense	2.14	18,033	16,934
Depreciation and amortisation expense	2.15	7,351	6,495
Finance costs	2.16	572	641
Other expenses	2.17	35,929	37,847
Total expenses		87,665	89,402
Profit before tax		15,445	16,766
Tax expense	2.30		
Current tax		1,826	4,182
Deferred tax		(222)	(1,159)
Profit for the year		**13,841**	**13,743**
Other comprehensive income (OCI)			
Items that will not be reclassified to profit or loss		(31)	(191)
Tax on items that will not be reclassified to profit or loss		15	63
		(16)	(128)
Items that will be reclassified to profit or loss:		475	(184)
Tax on items that may be reclassified to profit or loss		(51)	23
		424	(161)
Total other comprehensive income/(loss) for the year, net of tax		408	(289)
Total comprehensive income for the year		**14,249**	**13,454**
Earnings per share:	2.21		
Basic earnings per share of ₹ 5/- each		83.05	80.59
Diluted earnings per share of ₹ 5/- each		82.88	80.34

The accompanying notes are an integral part of the standalone financial statements.

As per our report of even date attached
for S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W/E300004
per Kaustav Ghose
Partner
Membership No. : 57828
Place : Hyderabad
Date : 12 May 2017

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

STATEMENT OF CHANGES IN EQUITY

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

Particulars	Equity share capital	Other components of equity									Total equity
		Reserves and surplus						Other comprehensive income			
		Securities premium	Share-based payment reserve	Capital reserve	Capital redemption reserve	General reserve	Retained earnings	Cash flow hedge reserve	Equity instruments through OCI	Actuarial gains / (losses)	
Balance as at 1 April 2015	852	19,591	894	267	-	17,268	72,058	30	-	-	**110,960**
Issue of equity shares on exercise of options (Refer note 2.7)	1	430	(430)	-	-	-	-	-	-	-	1
Share-based payment expense (Refer note 2.28)	-	-	442				-	-	-	-	442
Effective portion of changes in fair value of cash flow hedges, net of tax benefit of ₹ 23 (Refer note 2.34)	-	-	-	-	-	-	-	(42)	-	-	(42)
Actuarial gain/(loss) on post-employment benefit obligations, net of tax benefit of ₹ 63 (Refer note 2.29)	-	-	-	-	-	-	-	-	-	(119)	(119)
Profit for the year	-	-	-	-	-	-	13,743	-	-	-	13,743
Transfer to general reserve	-	-	-	-	-	1,679	(1,679)	-	-	-	-
Dividend paid (including dividend distribution tax)	-	-	-	-	-	-	(4,073)	-	-	-	(4,073)
Net change in fair value of FVTOCI investments and others	-	-	-	-	-	-	(119)	-	(9)	-	(128)
Balance as at 31 March 2016	853	20,021	906	267	-	18,947	79,930	(12)	(9)	(119)	**120,784**
Issue of equity shares on exercise of options (Refer note 2.7)	1	452	(452)	-	-	-	-	-	-	-	1
Buyback of shares (Refer note 2.23)	(25)	(15,669)	-	-	-	-	-	-	-	-	(15,694)
Share-based payment expense (Refer note 2.28)	-	-	350		-	-	-	-	-	-	350
Effective portion of changes in fair value of cash flow hedges, net of tax expense of ₹ 51 (Refer note 2.34)	-	-	-	-	-	-	-	94	-	-	94
Actuarial gain/(loss) on post-employment benefit obligations, net of tax benefit of ₹ 15 (Refer note 2.29)	-	-	-	-	-	-	-	-	-	(29)	(29)
Transfer to capital redemption reserve	-	(25)	-	-	25	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	13,841	-	-	-	13,841
Transfer to general reserve	-	-	-	-	-	1,355	(1,355)	-	-	-	-
Dividend paid (including dividend distribution tax)	-	-	-	-	-	-	(3,353)	-	-	-	(3,353)
Net change in fair value of FVTOCI investments	-	-	-	-	-	-	-	-	12	-	12
Balance as at 31 March 2017	829	4,779	804	267	25	20,302	89,063	82	3	(148)	**116,006**

The accompanying notes are an integral part of the standalone financial statements.

As per our report of even date attached
for **S.R. Batliboi & Associates LLP**
Chartered Accountants
ICAI Firm registration number: 101049W/E300004
per Kaustav Ghose
Partner
Membership No. : 57828
Place : Hyderabad
Date : 12 May 2017

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 CASH FLOWS

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Cash flows from/(used in) operating activities		
Profit before tax	15,445	16,766
Adjustments:		
Depreciation and amortisation expense	7,351	6,495
Impairment of intangible assets	11	-
Share-based payment expense	372	442
Fair value gain on financial instruments at fair value through profit or loss	(677)	(801)
Foreign exchange loss / (gain), net	493	132
Loss on disposal of property, plant and equipment	75	80
Finance income	(634)	(1,163)
Finance costs	572	641
Profit on sale of mutual funds, net	(497)	(800)
Dividend from mutual fund units	-	(53)
Allowance for sales returns	418	758
Provision for inventory obsolescence	2,076	1,684
Allowances for credit losses, net	110	3,617
Provision for doubtful advances, net	9	11
Dividend from subsidiary	(3,199)	(158)
Loss on sale of non current investments	3	-
Changes in operating assets and liabilities:		
Trade receivables	(6,560)	6,239
Inventories	(3,177)	(1,264)
Trade payables	631	22
Other assets and liabilities, net	564	(1,208)
Cash generated from operations	13,387	31,441
Income taxes paid, net	(3,228)	(3,972)
Net cash from operating activities	**10,159**	**27,469**
Cash flows from/(used in) investing activities		
Proceeds from sale of property, plant and equipment	23	14
Purchase of property, plant and equipment	(9,851)	(10,837)
Purchase of intangible assets	(581)	(489)
Purchase of investments	(48,502)	(65,325)
Proceeds from sale of investments	69,526	64,204
Loans and advances repaid by subsidiaries	(9)	(18)
Finance income received	619	1,078
Dividend from mutual fund units	-	53
Cash paid for acquisition of business units, net of cash acquired	-	(7,936)
Dividend from subsidiary	3,199	158
Net cash from/(used in) investing activities	**14,425**	**(19,098)**

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

STATEMENT OF CASH FLOWS (CONTINUED)

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Cash flows from/(used in) financing activities		
Proceeds from exercise of share options	1	1
Buyback of equity shares	(15,694)	-
Repayment of long-term borrowings	(4,074)	(7)
Repayment of short-term borrowings	(25,234)	(27,862)
Proceeds from short-term borrowings	23,172	25,762
Interest paid	(636)	(751)
Dividend paid to equity holders (including dividend distribution tax)	(3,353)	(4,073)
Net cash used in financing activities	**(25,818)**	**(6,930)**
Net increase / (decrease) in cash and cash equivalents	(1,234)	1,441
Effect of exchange rate changes on cash and cash equivalents	(120)	(95)
Cash and cash equivalents at the beginning of the year (Refer note 2.4 E)	2,021	675
Cash and cash equivalents at the end of the year (Refer note 2.4 E)	**667**	**2,021**

The accompanying notes are an integral part of the standalone financial statements.

As per our report of even date attached
for S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W/E300004
per Kaustav Ghose
Partner
Membership No. : 57828
Place : Hyderabad
Date : 12 May 2017

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)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 DESCRIPTION OF THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES

1.1 Description of the Company

Dr. Reddy's Laboratories Limited ("Dr. Reddy's" or "the Company") 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; its principal manufacturing facilities are located in Telangana, India; Andhra Pradesh, India; Himachal Pradesh, India; 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.

1.2 Basis of preparation of financial statements

The financial statements of Dr. Reddy's Laboratories Limited ("Dr. Reddy's" or "the Company") have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016. For all periods up to and including the year ended 31 March 2016, the Company prepared its financial statements in accordance with accounting standards notified under Section 133 of the Companies Act 2013, read with Rule 7 of Companies (Accounts) Rules, 2014. These financial statements for the year ended 31 March 2017 are the first the Company has prepared in accordance with Ind AS.

Refer note 2.19 for information on how the Company adopted Ind AS.

These financial statements have been prepared on the historical cost convention and on an accrual basis, except for the following material items in the balance sheet:

- derivative financial instruments are measured at fair value;
- certain financial assets are measured either at fair value or at amortised cost depending on the classification;
- employee defined benefit assets/(liability) are recognised as the net total of the fair value of plan assets, plus actuarial losses, less actuarial gains and the present value of the defined benefit obligation; and
- long-term borrowings, except obligations under finance leases, are measured at amortised cost using the effective interest rate method.

1.3 Use of estimates and judgments

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

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

- Note 1.4 (a) – Assessment of functional currency;
- Note 1.4 (q) – Financial instruments;
- Note 1.4 (b) – Business combinations;
- Notes 1.4 (j) and 1.4 (k) – Useful lives of property, plant and equipment and intangible assets;
- Note 1.4 (m) – Valuation of inventories;
- Note 1.4 (n) – Measurement of recoverable amounts of cash-generating units;
- Note 1.4 (o) – Assets and obligations relating to employee benefits;
- Note 1.4 (o) – Share based payments;
- Note 1.4 (p) – Provisions and other accruals;
- Note 1.4 (e) – Sales returns provisions;
- Note 1.4 (h) – Evaluation of recoverability of deferred tax assets; and
- Note 1.4 (p) – Contingencies

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

NOTES TO FINANCIAL STATEMENTS

1.4 Significant accounting policies

a) Functional currency

These financial statements are presented in Indian rupees, which is also the functional currency of the Company. All financial information presented in Indian rupees has been rounded to the nearest million.

b) Business combinations and goodwill

In accordance with Ind AS 101 provisions related to first time adoption, the Company has elected to apply Ind AS accounting for business combinations prospectively from transition date i.e., 1 April 2015. As such, Indian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward.

The Company uses the acquisition methsod of accounting to account for business combinations. The acquisition date is the date on which control is transferred to the acquirer. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another. Control exists when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity. In assessing control, potential voting rights are considered only if the rights are substantive. The Company measures goodwill as of the applicable acquisition date at the fair value of the consideration transferred, including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount of the identifiable assets acquired and liabilities assumed. When the fair value of the net identifiable assets acquired and liabilities assumed exceeds the consideration transferred, the excess is recognised in equity as capital reserve. Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Company to the previous owners of the acquiree, and equity interests issued by the Company. Consideration transferred also includes the fair value of any contingent consideration. Consideration transferred does not include amounts related to the settlement of pre-existing relationships. Any goodwill that arises on account of such business combination is tested annually for impairment.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and the settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recorded in the statement of profit and loss.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably. On an acquisition-by-acquisition basis, the Company recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Transaction costs that the Company incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees and other professional and consulting fees, are expensed as incurred.

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.

NOTES TO FINANCIAL STATEMENTS

d) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the statement of profit and loss in the period in which they arise.

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

e) Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue from the sale of goods includes excise duty and is measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Revenue from sales of generic products in India is recognised upon delivery of products to distributors by clearing and forwarding agents of the Company. Significant risks and rewards in respect of ownership of generic products are transferred by the Company when the goods are delivered to distributors from clearing and forwarding agents. Clearing and forwarding agents are generally compensated on a commission basis as a percentage of sales made by them. Revenue from sales of active pharmaceutical ingredients and intermediates in India is recognised on delivery of products to customers (generally formulation manufacturers), from the factories of the Company.

Revenue from export sales and other sales outside of India is recognised when the significant risks and rewards of ownership of products are transferred to the customers, which occurs upon delivery of the products to the customers unless the terms of the applicable contract provide for specific revenue generating activities to be completed, in which case revenue is recognised once all such activities are completed.

Profit share revenues

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

Revenue in an amount equal to the base purchase price is recognised in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognised as revenue in the period which corresponds to the ultimate sales of the products made by business partners only when the collectability of the profit share becomes probable and a reliable measurement of the profit share is available. Otherwise, recognition is deferred to a subsequent period pending satisfaction of such collectability and measurability requirements. In measuring the amount of profit share revenue to be recognised for each period, the Company uses all available information and evidence, including any confirmations from the business partner of the profit share amount owed to the Company, to the extent made available before the date the Company's Board of Directors authorises the issuance of its financial statements for the applicable period.

Milestone payments and out licensing arrangements

Revenues include amounts derived from product out-licensing agreements. These arrangements typically consist of an initial up-front payment on inception of the license and subsequent payments dependent on achieving certain milestones in accordance with the terms prescribed in the agreement. Non-refundable up-front license fees received in connection with product out-licensing agreements are deferred and recognised over the period in which the Company has continuing performance obligations. Milestone payments which are contingent on achieving certain clinical milestones are recognised 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.

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

NOTES TO FINANCIAL STATEMENTS

Sales Returns

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

Services

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

License fee

The Company enters into certain dossier sales, licensing and supply arrangements with various parties. Income from licensing arrangements is generally recognised over the term of the contract. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognised in the period in which the Company completes all its performance obligations.

f) Government grants

The Company recognizes government grants only when there is reasonable assurance that the conditions attached to them will be complied with, and the grants will be received. Government grants received in relation to assets are presented in the balance sheet by setting up the grant as deferred income. Grants related to income are deducted in reporting the related expense in the statement of profit and loss.

Export entitlements from government authorities are recognised in the statement of profit and loss as a reduction from "Cost of materials consumed" when the right to receive credit as per the terms of the scheme is established in respect of the exports made by the Company, and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

g) Interest income and dividend

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

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

h) Income tax

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

The Company recognises deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that both of the following conditions are satisfied:

a) When the Company is able to control the timing of the reversal of the temporary difference; and

b) it is probable that the temporary difference will not reverse in the foreseeable future.

Dividend distribution tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the Company and all such taxes are recognised in the statement of changes in equity as part of the associated dividend payment.

i) Earnings per share

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

j) Property, plant and equipment

Recognition and measurement

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

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

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

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

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

Depreciation

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

The estimated useful lives are as follows:

	Years
Buildings	
- Factory and administrative buildings	20 to 30
- Ancillary structures	3 to 10
Plant and machinery	5 to 10
Furniture, fixtures and office equipment	4 to 8
Vehicles	4 to 5

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

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

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

k) Goodwill and other intangible assets

Goodwill

Goodwill represents the excess of consideration transferred, together with the amount of non-controlling interest in the acquiree, over the fair value of the Company's share of identifiable net assets acquired.

Goodwill is measured at cost less accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Company and that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate.

Research and development

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

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

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

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

Payments to third parties that generally take the form of up-front payments and milestones for in-licensed products, compounds and intellectual property are capitalised. The Company's criteria for capitalisation of such assets are consistent with the guidance given in paragraph 25 of Ind AS 38 (i.e., receipt of economic benefits out of the separately purchased transaction is considered to be probable).

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

NOTES TO FINANCIAL STATEMENTS

Acquired research and development intangible assets that are under development are recognised as Intangible assets under development. Theses assets are not amortised, but evaluated for potential impairment on an annual basis or when there are indications that the carrying value may not be recoverable. Any impairment charge on such assets is recorded as an expense in the statement of profit and loss.

Subsequent expenditure on an in-process research or development project acquired separately or in a business combination and recognised as an intangible asset is:

- recognised as an expense when incurred, if it is research expenditure;
- recognised as an expense when incurred, if it is development expenditure that does not satisfy the criteria for recognition as an intangible asset; and
- added to the carrying amount of the acquired in-process research or development project, if it is development expenditure that satisfies the recognition criteria.

Intangible assets relating to products in development, other intangible assets not available for use and intangible assets having indefinite useful life are subject to impairment testing at each reporting date. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. All impairment losses are recognised immediately in the statement of profit and loss.

Amortisation

Amortisation is recognised in the statement of profit and loss on a straight-line basis over the estimated useful lives of intangible assets or on any other basis that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity. Intangible assets that are not available for use are amortised from the date they are available for use.

The estimated useful lives are as follows:

	Years
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 with a finite useful life are reviewed at each reporting date.

De-recognition of intangible assets

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

l) Leases

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

Finance leases

A finance lease is recognised 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 capitalised 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 recognised on the Company's balance sheet. Payments made under operating leases are recognised in the statement of profit and loss on a straight-line basis over the term of the lease.

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

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

NOTES TO FINANCIAL STATEMENTS

m) Inventories

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

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

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

n) Impairment of non-financial assets

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

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

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

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

o) Employee benefits

Short-term employee benefits

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

Defined contribution plans

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

NOTES TO FINANCIAL STATEMENTS

Defined benefit plans

The liability in respect of defined benefit plans and other post-employment benefits is calculated using the projected unit credit method consistent with the advice of qualified actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related defined benefit obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. The current service cost of the defined benefit plan, recognised in the statement of profit and loss in employee benefit expense, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements. Past service costs are recognised immediately in income. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Termination benefits

Termination benefits are recognised 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 recognised as an expense if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Other long-term employee benefits

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

Compensated absences

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

Share-based payments

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The expense is recorded for each separately vesting portion of the award as if the award was, in substance, multiple awards. The increase in equity recognised in connection with share-based payment transaction is presented as a separate component in equity under "share-based payment reserve". The amount recognised as an expense is adjusted to reflect the actual number of stock options that vest.

p) Provisions, contingent liabilities and contingent assets

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

Restructuring

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

Onerous contracts

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

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

NOTES TO FINANCIAL STATEMENTS

Reimbursement rights

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

Contingent liabilities

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

Contingent assets

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

q) Financial instruments

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

Financial assets

Initial recognition and measurement

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

Subsequent measurement

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

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortised cost

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

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

b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

Debt instrument at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and

b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified to the statem ent of profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

NOTES TO FINANCIAL STATEMENTS

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as at amortised cost or as FVTOCI, is classified as at FVTPL.

In addition, the Company may elect to designate a debt instrument, which otherwise meets amortised cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit and loss.

Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS103 applies are classified as at FVTPL. For all other equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument by-instrument basis. The classification is made on initial recognition and is irrevocable.

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

Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit and loss.

Investments in subsidiaries and joint venture

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

Upon first-time adoption of Ind AS, the Company has elected to measure its investments in subsidiaries and joint ventures at the Previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS i.e., 1 April 2015.

Derecognition

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of trade receivables

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognised in OCI. These gains/ losses are not subsequently transferred to the statement of profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss. The company has not designated any financial liability as fair value through profit and loss.

Loans and borrowings

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

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

Derecognition

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

Derivative financial instruments

The Company is exposed to exchange rate risk which arises from its foreign exchange revenues and expenses, primarily in US dollars, UK pounds sterling, Russian roubles, Venezuelan bolivars and Euros, and foreign currency debt in US dollars, Russian roubles and Euros.

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

NOTES TO FINANCIAL STATEMENTS

The Company uses foreign exchange forward contracts, option contracts and swap contracts (derivative financial instruments) to mitigate its risk of changes in foreign currency exchange rates. The Company also uses non derivative financial instruments as part of its foreign currency exposure risk mitigation strategy.

Hedges of highly probable forecasted transactions

The Company classifies its derivative financial instruments 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 in the Company's hedging reserve as a component of equity and re-classified to the statement of profit and loss as revenue in the period corresponding to the occurrence of the forecasted transactions. The ineffective portion of such cash flow hedges is recorded in the statement of profit and loss as finance costs immediately.

The Company also designates certain non derivative financial liabilities, such as foreign currency borrowings from banks, as hedging instruments for hedge of foreign currency risk associated with highly probable forecasted transactions. Accordingly, the Company applies cash flow hedge accounting to such relationships. Remeasurement gain / loss on such non derivative financial liabilities is recorded in the Company's hedging reserve as a component of equity and reclassified to 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, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income, remains there until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in the statement of profit and loss.

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 in the statement of profit and loss.

Hedges of changes in the interest rates

Consistent with its risk management policy, the Company uses interest rate swaps to mitigate the risk of changes in interest rates. The Company does not use them for trading or speculative purposes.

r) Cash and cash equivalents

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

1.5 Determination of fair values

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

a) Property, plant and equipment

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

b) Intangible assets

The fair value of brands, technology related intangibles, and patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of these brands, technology related intangibles, patents or trademarks being owned (the "relief of royalty method"). The fair value of customer related, product related and other intangibles acquired in a business combination has been determined using the multi-period excess earnings method after deduction of a fair return on other assets that are part of creating the related cash flows.

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

NOTES TO FINANCIAL STATEMENTS

c) Inventories

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

d) Investments in equity and debt securities and units of mutual funds

The fair value of marketable equity and debt securities is determined by reference to their quoted market price at the reporting date. For debt securities where quoted market prices are not available, fair value is determined using pricing techniques such as discounted cash flow analysis.

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

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

e) Derivatives

The fair value of foreign exchange forward contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The fair value of foreign currency option and swap contracts and interest rate swap contracts is determined based on the appropriate valuation techniques, considering the terms of the contract.

f) Non derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements. In respect of the Company's borrowings that have floating rates of interest, their fair value approximates carrying value.

g) Share-based payment transactions

The fair value of employee stock options is measured using the Black-Scholes-Merton valuation model. Measurement inputs include share price on grant date, exercise price of the instrument, expected volatility (based on weighted average historical volatility), expected life of the instrument (based on historical experience), expected dividends, and the risk free interest rate (based on government bonds).

NOTES TO FINANCIAL STATEMENTS

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

NOTE 2 NOTES TO FINANCIAL STATEMENTS

2.1 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	GROSS CARRYING VALUE				ACCUMULATED DEPRECIATION				NET CARRYING VALUE	
	AS AT 1 APRIL 2016	ADDITIONS	DISPOSALS	AS AT 31 MARCH 2017	AS AT 1 APRIL 2016	FOR THE YEAR	DISPOSALS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
Land	1,283	70	-	1,353	-	-	-	-	1,353	1,283
Buildings	14,395	2,019	30	16,384	2,883	607	19	3,471	12,913	11,512
Plant and machinery	45,397	8,070	289	53,178	23,149	5,193	274	28,068	25,110	22,248
Furniture and fixtures	950	104	4	1,050	723	94	4	813	237	227
Office equipment	2,289	549	54	2,784	1,668	403	56	2,015	769	621
Vehicles										
Owned	172	20	70	122	126	17	72	71	51	46
Assets taken on finance lease	35	-	11	24	34	2	12	24	-	1
TOTAL	64,521	10,832	458	74,895	28,583	6,316	437	34,462	40,433	35,938

PARTICULARS	GROSS CARRYING VALUE				ACCUMULATED DEPRECIATION				NET CARRYING VALUE	
	AS AT 1 APRIL 2015	ADDITIONS	DISPOSALS	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015	FOR THE YEAR	DISPOSALS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
Land	1,262	23	2	1,283	-	-	-	-	1,283	1,262
Buildings	12,294	2,101	-	14,395	2,392	491	-	2,883	11,512	9,902
Plant and machinery	38,609	7,376	588	45,397	19,325	4,400	576	23,149	22,248	19,284
Furniture and fixtures	901	90	41	950	667	96	40	723	227	234
Office equipment	2,003	401	115	2,289	1,423	356	111	1,668	621	580
Vehicles										
Owned	146	37	11	172	123	13	10	126	46	23
Assets taken on finance lease	35	-	-	35	26	8	-	34	1	9
TOTAL	55,250	10,028	757	64,521	23,956	5,364	737	28,583	35,938	31,294

(a) Depreciation for the year includes an amount of ₹ 630 (31 March 2016: ₹ 549) pertaining to assets used for research and development. During the year, the Company incurred ₹ 1,041 (31 March 2016: ₹ 1,175) towards capital expenditure for research and development. (Refer note 2.39)

(b) The Company has capitalised borrowing costs of ₹ 65 (31 March 2016: ₹ 51). The rate for capitalisation of interest costs for the years ended 31 March 2017 and 31 March 2016 was approximately 2.14% and 2.07%, respectively.

NOTES TO FINANCIAL STATEMENTS

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

2.2 GOODWILL AND OTHER INTANGIBLE ASSETS

PARTICULARS	GROSS CARRYING VALUE				ACCUMULATED AMORTISATION				NET CARRYING VALUE	
	AS AT 1 APRIL 2016	ADDITIONS	DISPOSALS	AS AT 31 MARCH 2017	AS AT 1 APRIL 2016	FOR THE YEAR	DISPOSALS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
Goodwill	323	-	-	323	-	-	-	-	323	323
Customer contracts	243	-	-	243	243	-	-	243	-	-
Technical know-how	561	-	-	561	475	9	-	484	77	86
Product related intangibles	8,592	259	-	8,851	1,709	771	-	2,480	6,371	6,883
Copyrights and Patents (including marketing and distribution rights)	994	36	-	1,030	229	65	-	294	736	765
Others	566	285	-	851	180	190	-	370	481	386
TOTAL	11,279	580	-	11,859	2,836	1,035	-	3,871	7,988	8,443

PARTICULARS	GROSS CARRYING VALUE				ACCUMULATED AMORTISATION				NET CARRYING VALUE	
	AS AT 1 APRIL 2015	ADDITIONS	DISPOSALS	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015	FOR THE YEAR	DISPOSALS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
Goodwill	-	323	-	323	-	-	-	-	323	-
Customer contracts	243	-	-	243	243	-	-	243	-	-
Technical know-how	459	102	-	561	459	16	-	475	86	-
Product related intangibles	1,795	6,797	-	8,592	797	912	-	1,709	6,883	998
Copyrights and Patents (including marketing and distribution rights)	183	811	-	994	183	46	-	229	765	-
Others	215	351	-	566	24	156	-	180	386	191
TOTAL	2,895	8,384	-	11,279	1,706	1,130	-	2,836	8,443	1,189

(a) Amortisation for the year includes an amount of ₹ 595 (31 March 2016: ₹ 478) pertaining to assets used for research and development. During the year, the Company incurred ₹ 1,303 (31 March 2016: ₹ 689) towards capital expenditure for research and development. (Refer note 2.39)

(b) Additions to intangible assets during the year ended 31 March 2016 include an amount of ₹ 7,800 paid on acquisition of select established brand portfolio of UCB. (Refer note 2.42)

2.3 INTANGIBLES ASSETS UNDER DEVELOPMENT

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Opening balance at the beginning of the year	11	108
Add: Additions during the year	-	5
Less: Capitalisations during the year	-	(102)
Less: Impairments during the year	(11)	-
Closing balance at the end of the year	-	11

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

NOTES TO FINANCIAL STATEMENTS

2.4 FINANCIAL ASSETS

2.4 A INVESTMENTS

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
Investments at fair value through OCI			
Quoted equity shares *(fully paid-up)*			
120,000 (31 March 2016: 120,000; 1 April 2015: 120,000) equity shares of ₹ 1/- each of State Bank of India (a)	35	23	32
Total investments at fair value through OCI	35	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.

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
Investments carried at cost			
Unquoted equity shares *(fully paid-up)*			
I. In subsidiary companies			
105,640,410 (31 March 2016: 105,640,410; 1 April 2015: 105,640,410) ordinary shares of CHF 1 each of Dr. Reddy's Laboratories SA, Switzerland	13,515	13,515	13,515
2,499,826 (31 March 2016: 2,377,826; 1 April 2015: 2,377,826) equity shares of ₹ 10/- each of Idea2Enterprises India Private Limited, India	1,537	1,447	1,447
90,544,104 (31 March 2016: 90,544,104; 1 April 2015: 90,544,104) equity shares of ₹ 10/- each of Aurigene Discovery Technologies Limited, India	974	974	974
140,526,270 (31 March 2016: 140,526,270; 1 April 2015: 140,526,270) Series "A" shares of Peso 1 each of Industrias Quimicas Falcon de Mexico S.A. de C.V., Mexico	709	709	709
36,249,230 (31 March 2016: 34,614,230; 1 April 2015: 26,699,230) shares of Real $ 1 each of Dr. Reddy's Farmaceutica Do Brasil Ltda., Brazil	825	792	634
Nil (31 March 2016: 66,000,000; 1 April 2015: 50,000) equity shares of ₹ 10/- each of DRL Impex Limited, India (a)	-	660	1
9,066,000 (31 March 2016: 9,066,000; 1 April 2015: 9,066,000) ordinary shares of Euro 1 each of Reddy Pharma Iberia SA, Spain	566	566	566
54,022,070 (31 March 2016: 54,022,070; 1 April 2015: 54,022,070) equity shares of ₹ 10/- each of Dr. Reddy's Bio-sciences Limited, India	466	466	466
1,131,646 (31 March 2016: 1,131,646; 1 April 2015: 1,131,646) equity shares of US$ 1 each of Reddy Antilles N.V., Netherlands	52	52	52
Nil (31 March 2016: 2,500; 1 April 2015: 2,500) ordinary shares of FF 100 each of Reddy Cheminor S.A., France (b)	-	2	2
134,513 (31 March 2016: 134,513; 1 April 2015: 134,513) equity shares of ₹ 10/- each of Cheminor Investments Limited, India	1	1	1
50,000 (31 March 2016: 50,000; 1 April 2015: 50,000) equity shares of ₹ 1/- each of Dr. Reddy's Pharma SEZ Limited, India	1	1	1
123,000 (31 March 2016: Nil; 1 April 2015: Nil) equity shares of ₹ 100/- each of Imperial Credit Private Limited, India	31	-	-
	18,677	19,185	18,368
Less: Accumulated impairment:			
Reddy Pharma Iberia SA, Spain	(566)	(566)	(566)
Dr. Reddy's Farmaceutica Do Brasil Ltda., Brazil	(634)	(634)	(634)
DRL Impex Limited, India	-	(660)	-
Total unquoted investments in equity shares of subsidiary companies, net (I)	17,477	17,325	17,168
II. In joint ventures			
Equity shares held in Kunshan Rotam Reddy Pharmaceutical Co. Limited, China (c)	429	429	429
8,580,000 (31 March 2016: 260,000; 1 April 2015: Nil) equity shares of ₹ 10/- each of DRES Energy Private Limited, India	86	3	-
26,000 (31 March 2016: 26,000; 1 April 2015: 26,000) equity shares of ₹ 10/- each of DRSS Solar Power Private Limited, India (d)	-	-	-
Total unquoted investments in equity shares of joint ventures, net (II)	515	432	429
Total investments carried at cost (I+II)	17,992	17,757	17,597

(a) Shares held in DRL Impex Limited have been sold to wholly owned subsidiary of the Company, Idea2 Enterprises India Private Limited, India during the year ended 31 March 2017.

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

NOTES TO FINANCIAL STATEMENTS

2.4 A INVESTMENTS (CONTINUED)

(b) Shares held in Reddy Cheminor S.A., France have been written off during the year on liquidation of the company.

(c) Shares held in Kunshan Rotam Reddy Pharmaceutical Co. Limited, China are not denominated in number of shares as per the laws of the country.

(d) Rounded off to millions in the note above.

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
Investments at fair value through profit or loss			
I. Investment in unquoted equity shares			
8,859 (31 March 2016: 8,859; 1 April 2015: 8,859) equity shares of ₹ 100/- each of Jeedimetla Effluent Treatment Limited, India	1	1	1
Ordinary shares of Biomed Russia Limited, Russia (a)	-	-	-
200,000 (31 March 2016: 200,000; 1 April 2015: 200,000) ordinary shares of ₹ 10/- each of Altek Engineering Limited, India	-	-	-
24,000 (31 March 2016: 24,000; 1 April 2015: 24,000) equity shares of ₹ 100/- each of Progressive Effluent Treatment Limited, India	-	-	-
20,250 (31 March 2016: 20,250; 1 April 2015: 20,250) equity shares of ₹ 10/- each of Shivalik Solid Waste Management Limited, India (b)	-	-	-
Total unquoted trade investments in equity shares of other companies, net (I)	1	1	1

(a) Shares held in Biomed Russia Limited are not denominated in number of shares as per the laws of the country.

(b) Rounded off to millions in the note above.

II. Investment in unquoted mutual funds (Refer note 2.31)	10,881	22,320	21,422
Total Investments at fair value through profit or loss (I + II)	**10,882**	**22,321**	**21,423**
Investments carried at amortised cost			
In term deposit accounts (original maturity more than 3 months)	2,110	10,660	8,339
Total Investments	**31,019**	**50,761**	**47,391**
Current	12,991	32,980	29,761
Non current	18,028	17,781	17,630
	31,019	**50,761**	**47,391**
Aggregate book value of quoted investments	35	23	32
Aggregate market value of quoted investments	35	23	32
Aggregate value of unquoted investments	32,184	52,598	48,559
Aggregate amount of impairment in value of investments in unquoted equity shares	1,270	1,930	1,270

2.4 B TRADE RECEIVABLES

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
Trade receivables from other parties	6,358	6,783	7,357
Receivables from subsidiaries (Refer note 2.22)	37,902	32,112	39,720
	44,260	**38,895**	**47,077**
Break-up for security details			
Unsecured, considered good	44,260	38,895	47,077
Doubtful	3,938	3,957	345
	48,198	**42,852**	**47,422**
Less: Allowances for credit losses (Refer note 2.35 (a))	(3,938)	(3,957)	(345)
	44,260	**38,895**	**47,077**
Current	44,054	38,895	47,077
Non current	206	-	-
	44,260	**38,895**	**47,077**

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

NOTES TO FINANCIAL STATEMENTS

2.4 C LOANS

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
Unsecured			
Considered good			
Loans and advances to wholly owned subsidiaries (a)	1,932	2,200	2,283
	1,932	2,200	2,283
Considered doubtful			
Loans and advances to wholly owned subsidiaries (a)	404	422	1,059
Others	8	8	8
	2,344	2,630	3,350
Less: Allowances for doubtful loans and advances (Refer note 2.35 (a))	(412)	(430)	(1,067)
	1,932	**2,200**	**2,283**

(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 2017	31 MARCH 2016	1 APRIL 2015	31 MARCH 2017	31 MARCH 2016	1 APRIL 2015
DRL Impex Limited, India	11	110	759	111	768	2,061
Reddy Antilles N.V., Netherlands	337	344	324	357	357	331
Dr. Reddy's Laboratories Romania SRL, Romania	-	-	-	-	-	27
Dr. Reddy's Farmaceutica Do Brasil Ltda., Brazil	384	321	302	384	333	308
Industrias Quimicas Falcon de Mexico S.A. de C.V., Mexico	1,604	1,847	1,957	1,867	2,004	2,265
Cheminor Investments Limited, India (b)	-	-	-	-	-	-
Dr. Reddy's Bio-sciences Limited, India (b)	-	-	-	-	-	-
	2,336	2,622	3,342			

(b) Rounded off to 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, Cheminor 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%
Dr. Reddy's Farmaceutica Do Brasil Ltda., Brazil	6%

(d) Loans and advances to wholly owned subsidiaries are given for the purpose of working capital and other business requirements.

2.4 D OTHER FINANCIAL ASSETS

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
A. Non current assets			
Unsecured, considered good			
In term deposit accounts (remaining maturity more than 12 months)	13	-	11
Security deposits	415	452	418
Other assets	34	27	-
	462	**479**	**429**
B. Current assets			
Unsecured, considered good			
Claims receivable	581	330	326
Interest accrued but not due on term deposits	69	54	92
Derivative financial instrument - asset	220	175	388
Receivables from subsidiary companies including step down subsidiaries			
Reddy Antilles N. V.. Netherlands	17	18	16
Dr. Reddy's Bio-sciences Limited, India	69	69	69
Dr. Reddy's Laboratories SA, Switzerland	12	158	29
Betapharm Arzneimittel GmbH, Germany	-	1,855	-
Others	77	15	21
Other assets	12	215	47
	1,057	**2,889**	**988**

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

NOTES TO FINANCIAL STATEMENTS

2.4 E CASH AND CASH EQUIVALENTS

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
Balances with banks			
In current accounts (a)	251	196	335
In EEFC accounts	1	2	6
In deposit accounts (original maturity less than 3 months)	333	1,743	258
Cash on hand	2	1	1
Other bank balances			
In unclaimed dividend accounts	47	44	39
In unclaimed fractional share pay order accounts	1	1	1
In unclaimed debentures and debenture interest account	16	17	18
LC and Bank guarantee margin money	17	17	17
Total cash and cash equivalents	**668**	**2,021**	**675**
Less: Bank overdraft (Refer note 2.8 B)	(1)	-	-
Cash and cash equivalent for the purpose of statement of cash flow	667	2,021	675

(a) includes ₹ 2 (31 March 2016: ₹ 3) representing cash and cash equivalents held in Venezuelan Bolivars, which are subject to foreign exchange controls.

2.5 OTHER ASSETS

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
A. Non current assets			
Unsecured, considered good			
Capital advances	372	613	610
	372	**613**	**610**
B. Current assets			
Unsecured, considered good			
Balances with statutory authorities	7,290	6,735	7,150
Prepaid expenses	347	349	311
Advances to material suppliers	798	683	741
Others	636	563	463
Unsecured, considered doubtful			
Other advances	71	62	51
	9,142	**8,392**	**8,716**
Less: Provision for doubtful advances	(71)	(62)	(51)
	9,071	**8,330**	**8,665**

2.6 INVENTORIES

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
(Valued on weighted average basis)			
Raw materials (includes in transit ₹ 19; 31 March 2016: ₹ 49; 1 April 2015: ₹ 39)	5,822	5,065	5,744
Work-in-progress	6,039	6,402	6,292
Finished goods	2,428	2,444	2,377
Stock-in-trade	1,734	1,374	1,263
Packing materials, stores and spares	2,074	1,711	1,557
	18,097	**16,996**	**17,233**

(a) The Company recorded inventory write-down of ₹ 2,076 (31 March 2016: ₹ 1,684). This is included as part of cost of materials consumed.

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

NOTES TO FINANCIAL STATEMENTS

2.7 SHARE CAPITAL

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
Authorised share capital			
240,000,000 equity shares of ₹ 5/- each (31 March 2016: 240,000,000; 1 April 2015: 240,000,000)	1,200	1,200	1,200
Issued equity capital			
165,741,913 equity shares of ₹ 5/- each fully paid-up (31 March 2016: 170,607,853; 1 April 2015: 170,381,374)	829	853	852
Subscribed and fully paid-up			
165,741,713 equity shares of ₹ 5/- each fully paid-up (31 March 2016: 170,607,653; 1 April 2015: 170,381,174)	829	853	852
Add: Forfeited share capital (e)	-	-	-
	829	**853**	**852**

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

PARTICULARS	AS AT 31 MARCH 2017		AS AT 31 MARCH 2016		AS AT 1 APRIL 2015	
	NO. OF EQUITY SHARES	AMOUNT	NO. OF EQUITY SHARES	AMOUNT	NO. OF EQUITY SHARES	AMOUNT
Number of shares outstanding at the beginning of the year	170,607,653	853	170,381,174	852	170,108,868	851
Add: Equity shares issued pursuant to employee stock option plan	211,564	1	226,479	1	272,306	1
Less: Equity shares bought back	(5,077,504)	(25)	-	-	-	-
Number of shares outstanding at the end of the year	165,741,713	829	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 2017, the amount of per share dividend proposed as distributions to equity shareholders is ₹ 20 (31 March 2016: ₹ 20; 1 April 2015: ₹ 20). The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting and, if approved would result in a cash outflow of approximately ₹ 3,990 including dividend distribution tax . 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 31 MARCH 2017		AS AT 31 MARCH 2016		AS AT 1 APRIL 2015	
	NO. OF EQUITY SHARES HELD	% HOLDING IN THE CLASS	NO. OF EQUITY SHARES HELD	% HOLDING IN THE CLASS	NO. OF EQUITY SHARES HELD	% HOLDING IN THE CLASS
Dr. Reddy's Holdings Limited	40,627,000	24.51	39,961,234	23.42	39,729,284	23.32
First State Investments Management (UK) Limited, First State Investments International Limited and their associates*	14,907,551	8.99	15,260,425	8.94	14,389,390	8.45

* *Does not include ADR holding*

(d) 330,142 (31 March 2016: 427,348; 1 April 2015: 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 88,141 (31 March 2016: 92,043; 1 April 2015: 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 2.28)

(e) Represents 200 equity shares of ₹ 5/- each, amount paid-up ₹ 500/- (rounded off to millions in the note above) forfeited due to non-payment of allotment money.

(f) The Company has bought back and extinguished 5,077,504 equity shares during the year under the buyback of equity shares plan approved by the shareholders on 1 April 2016. (Refer note 2.23)

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

NOTES TO FINANCIAL STATEMENTS

2.7 SHARE CAPITAL (CONTINUED)

Aggregate number of shares bought back during the period of five years immediately preceeding the reporting date:

PARTICULARS	YEAR ENDED 31 MARCH				
	2017	2016	2015	2014	2013
Ordinary shares of ₹ 5/- each	5,077,504	-	-	-	-

2.8 FINANCIAL LIABILITIES

2.8 A NON CURRENT BORROWINGS

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
Unsecured			
Long term loans from banks (a)	4,852	9,938	9,375
Secured			
Long term maturities of finance lease obligation (b)	-	1	8
	4,852	9,939	9,383

2.8 B CURRENT BORROWINGS

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
From Banks			
Unsecured			
Packing credit loans (c)	18,698	20,896	20,857
Other short-term borrowings	-	-	1,000
Bank overdraft	1	-	-
	18,699	20,896	21,857

(a) (i) The balance of long-term loan, outstanding as at 31 March 2017, comprises of External Commercial Borrowing, carrying interest rate of LIBOR plus 82.7 bps and is repayable in three equal installments in the years ending 31 March 2020 and 31 March 2021.

(ii) External Commercial Borrowing, outstanding as at 31 March 2016, carrying interest rate of LIBOR plus 125 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 at 31 March 2017, 31 March 2016 and 1 April 2015.

(b) Finance lease obligations are towards lease rentals payable for the vehicles leased by the Company. (Refer note 2.33)

(c) Packing credit loans for the year ended 31 March 2017, comprised of US$ denominated loans carrying interest rates of LIBOR minus 30 to plus 1 bps, RUB denominated loans carrying fixed interest rate of 9.95%, and INR denominated loans carrying fixed interest rate of 6.92% to 6.95% and Treasury bill plus 30 bps and are repayable within 6 to 12 months from the date of drawdown. Packing credit loans, for the year ended 31 March 2016, comprised of US$ 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% to 11.57%, and are repayable within 6 to 12 months from the date of drawdown.

2.8 C TRADE PAYABLES

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
Trade payables to third parties			
Due to micro, small and medium enterprises	43	20	79
Other parties	7,310	6,750	6,025
Trade payables to subsidiaries including step down subsidiaries (Refer note 2.22)	434	422	1,056
	7,787	7,192	7,160

(a) The principal amount remaining unpaid as at 31 March 2017 in respect of enterprises covered under the "Micro, Small and Medium Enterprises Development Act, 2006" (MSMED) is ₹ 43 (31 March 2016: ₹ 20; 1 April 2015: ₹ 79). The interest amount computed based on the provisions under Section 16 of the MSMED is ₹ 0.02 (31 March 2016: ₹ 0.11; 1 April 2015: ₹ 0.09) is remaining unpaid as of 31 March 2017. The interest amount of ₹ 0.02 that remained unpaid as at 31 March 2016 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 (31 March 2016: ₹ Nil; 1 April 2015: ₹ Nil).

(c) The list of undertakings covered under MSMED 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

2.8 D OTHER FINANCIAL LIABILITIES

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
Current maturity of finance lease obligation	1	8	5
Due to capital creditors	2,530	2,526	2,048
Payable to subsidiary companies including step down subsidiaries (Refer note 2.22)	3,674	2,836	2,662
Interest accrued but not due on loan	20	7	65
Unclaimed dividends, debentures and debenture interest (a)	63	61	57
Accrued expenses	5,132	6,584	5,119
Derivative financial instruments - liability	6	52	109
Trade and security deposits received	73	74	171
Others	57	60	139
	11,556	12,208	10,376

(a) Unclaimed amounts are transferred to Investor Protection and Education Fund after seven years from the due date.

2.9 PROVISIONS

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
A. Non current provisions			
Provision for employee benefits (Refer note 2.29)			
Compensated absences	441	508	387
Long service award benefit plan	182	157	111
	623	665	498
B. Current provisions			
Provision for employee benefits (Refer note 2.29)			
Gratuity	153	237	79
Compensated absences	305	202	155
Long service award benefit plan	22	19	14
Other provisions (a)			
Allowance for sales returns (Refer note 1.4 (e))	879	910	725
Others	725	338	320
	2,084	1,706	1,293

(a) Details of changes in provisions are as follows:

PARTICULARS	ALLOWANCE FOR SALES RETUNS	OTHERS
Balance as at 1 April 2015	725	320
Provision made during the year	758	18
Provision used or reversed during the year	(573)	-
Balance as at 31 March 2016	910	338
Provision made during the year	418	387
Provision used or reversed during the year	(449)	-
Balance as at 31 March 2017	879	725

2.10 OTHER LIABILITIES

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
A. Other non current liabilities			
Sales tax deferment loan from the Government of Telangana (interest free) (a)	-	5	8
Deferred revenue (b)	411	-	67
Long term incentive plan	-	571	188
	411	576	263

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

NOTES TO FINANCIAL STATEMENTS

2.10 OTHER LIABILITIES (CONTINUED)

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
B. Other current liabilities			
Sales tax deferment loan from the Government of Telangana (interest free) (a)	-	3	7
Advance from customers	238	230	257
Due to statutory authorities	230	264	252
Deferred revenue	113	15	384
Salary and bonus payable	1,350	1,374	1,101
Long term incentive plan	523	-	-
	2,454	1,886	2,001

(a) Sales tax deferment loan has been repaid during the year ended 31 March 2017.

(b) Rounded off to millions in the note above as at 31 March 2016.

2.11 OTHER OPERATING INCOME

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Sale of spent chemicals	206	271
Scrap sales	207	206
Miscellaneous income (a)	504	94
	917	571

(a) During the year ended 31 March 2017, the Company entered into an agreement with Galderma to settle the ongoing litigation relating to launch of a product in the United States of America. Pursuant to the settlement, the Company recorded an amount of ₹ 417 representing the relevant consideration attributable to settlement of litigation.

2.12 OTHER INCOME

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Interest income		
On fixed deposits	381	724
On loans to subsidiaries	218	178
Others	35	261
Profit on sale of mutual funds, net	497	800
Dividend from mutual fund units	-	53
Dividend from subsidiaries (a)	3,199	158
Foreign exchange gain, net	831	-
Fair value gain on financial instruments through profit or loss	677	801
Miscellaneous income	74	274
	5,912	3,249

(a) Dividend received from Dr. Reddy's Laboratories SA, Switzerland and Aurigene Discoveries Technologies Limited, India on equity shares during the year ended 31 March 2017.

2.13 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017		FOR THE YEAR ENDED 31 MARCH 2016	
Opening				
Work-in-progress	6,402		6,292	
Finished goods	2,444		2,377	
Stock-in-trade	1,374	10,220	1,263	9,932
Closing				
Work-in-progress	6,039		6,402	
Finished goods	2,428		2,444	
Stock-in-trade	1,734	10,201	1,374	10,220
		19		(288)

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

NOTES TO FINANCIAL STATEMENTS

2.14 EMPLOYEE BENEFITS EXPENSE

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Salaries, wages and bonus	15,292	14,327
Contribution to provident and other funds	1,002	865
Staff welfare expenses	1,367	1,300
Share-based payment expenses	372	442
	18,033	**16,934**

2.15 DEPRECIATION AND AMORTISATION EXPENSE

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Depreciation of property, plant and equipment	6,316	5,364
Amortisation of intangible assets	1,035	1,131
	7,351	**6,495**

2.16 FINANCE COSTS

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Interest on long-term borrowings	152	163
Interest on other borrowings	420	478
	572	**641**

2.17 OTHER EXPENSES

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Consumption of stores, spares and other materials	4,544	4,291
Clinical trial expenses	2,525	1,934
Other research and development expenses	5,091	4,936
Advertisements	334	357
Commission on sales	149	145
Carriage outward	1,623	2,160
Other selling expenses	7,879	6,613
Legal and professional	4,129	4,413
Power and fuel	2,963	2,781
Repairs and maintenance		
Buildings	457	325
Plant and machinery	843	808
Others	1,524	1,234
Insurance	250	310
Travel and conveyance	959	884
Rent	195	190
Rates and taxes	305	167
Foreign exchange loss, net	-	153
Corporate Social Responsibilty and donations (a)	429	423
Allowances for credit losses, net (b)	110	3,617
Provision for doubtful advances, net	9	11
Non Executive Directors' remuneration	74	78
Auditors' remuneration (Refer note 2.20)	15	14
Loss on sale of non current investments, net	3	-
Loss on disposal of property, plant and equipment, net	75	80
Other general expenses	1,444	1,923
	35,929	**37,847**

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

NOTES TO FINANCIAL STATEMENTS

2.17 OTHER EXPENSES (CONTINUED)

(a) Details of Corporate Social Responsibility expenditure in accordance with section 135 of the Companies Act, 2013:

PARTICULARS	IN CASH	YET TO BE PAID IN CASH	TOTAL
Gross amount required to be spent by the Company during the year			406
Amount spent during the year ending on 31 March 2017	427	-*	427
Amount spent during the year ending on 31 March 2016	410	2	412

**Rounded off to millions above.*

(b) includes an amount of ₹ 3,559 representing the amount receivable from Venezuelan subsidiary which was fully provided during the year ended 31 March 2016.

2.18 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 2017	FOR THE YEAR ENDED 31 MARCH 2016
Employee benefits expense (included in note 2.14)	2,914	2,656
Other expenses (included in note 2.17)		
Clinical trial expenses	2,525	1,934
Materials and consumables	2,987	3,087
Power and fuel	137	125
Other research and development expenses	5,091	4,936
	13,654	12,738

2.19 FIRST-TIME ADOPTION OF IND AS

These financial statements, for the year ended 31 March 2017, are the first time the Company has prepared in accordance with Ind AS. For periods up to and including the year ended 31 March 2016, the Company prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP).

Accordingly, the Company has prepared financial statements which comply with Ind AS applicable for periods ending on 31 March 2017, together with the comparative period data as at and for the year ended 31 March 2016, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening balance sheet was prepared as at 1 April 2015, the Company's date of transition to Ind AS. This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the balance sheet as at 1 April 2015 and the financial statements as at and for the year ended 31 March 2016.

Exemptions applied

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following exemptions:

Ind AS 103, *Business Combinations* has not been applied to acquisitions, which are considered businesses under Ind AS that occurred before 1 April 2015. Use of this exemption means that the Indian GAAP carrying amounts of assets and liabilities, that are required to be recognised under Ind AS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with respective Ind AS. The Company recognises all assets acquired and liabilities assumed in a past business combination, except (i) certain financial assets and liabilities that were derecognised and that fall under the derecognition exception, and (ii) assets (including goodwill) and liabilities that were not recognised in the acquirer's balance sheet under its previous GAAP and that would not qualify for recognition under Ind AS in the individual balance sheet of the acquiree. Assets and liabilities that do not qualify for recognition under Ind AS are excluded from the opening Ind AS balance sheet. The Company did not recognise or exclude any previously recognised amounts as a result of Ind AS recognition requirements.

Ind AS 101 also requires that Indian GAAP carrying amount of goodwill must be used in the opening Ind AS balance sheet (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with Ind AS 101, the Company has tested goodwill for impairment at the date of transition to Ind AS. No goodwill impairment was deemed necessary at 1 April 2015.

Property, plant and equipment and intangible assets balances were in compliance with Ind AS 16 and Ind AS 38, respectively with a retrospective effect.

Ind AS 102, Share-based Payment has not been applied to equity instruments in share-based payment transactions that vested before 1 April 2015.

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

NOTES TO FINANCIAL STATEMENTS

2.19 FIRST-TIME ADOPTION OF IND AS (CONTINUED)

The Company does not have any arrangements containing a lease as defined under Appendix C to Ind AS 17, "Determining whether an arrangement contains a lease". Consequently, this exemption is not applicable to the Company.

Estimates

The estimates at 1 April 2015 and at 31 March 2016 are consistent with those made for the same dates in accordance with Indian GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items where application of Indian GAAP did not require estimation:

- FVTOCI – Quoted equity shares
- Impairment of financial assets based on expected credit loss model

The estimates used by the Company to present these amounts in accordance with Ind AS reflect conditions at 1 April 2015, the date of transition to Ind AS and as of 31 March 2016.

Reconciliation of equity as previously reported under Previous GAAP and that computed under Ind AS

PARTICULARS	AS AT 1 APRIL 2015	AS AT 31 MARCH 2016
Equity as per Indian GAAP	106,340	116,054
Adjustments:		
Derecognition of liability for proposed dividend for the year ended 31 March 2015 (a)	4,100	4,101
Fair valuation of investments in equity shares and mutual funds (b and c)	429	1,218
Impact on current and deferred taxes (d)	36	(646)
Impairment of trade receivables due to expected credit loss model (e)	(40)	(40)
Recognition of intangible assets not eligible for recognition under Indian GAAP(f)	97	102
Others	(2)	(5)
Equity as per Ind AS	110,960	120,784

Reconciliation between financial results as previously reported under Previous GAAP and Ind AS for the year ended 31 March 2016

PARTICULARS	AMOUNT
Profit for the year under Previous GAAP	13,545
Impact on account of measuring investments at fair value through profit or loss	799
Recognition of intangible assets not eligible for recognition under Indian GAAP	5
Reversal of goodwill amortised under Previous GAAP	13
Difference in measurement of employee share-based payments	(16)
Difference in measurement of employee benefits	183
Impact on current and deferred taxes	(768)
Others	(18)
Profit for the year under Ind AS	13,743

a) Proposed dividend

Under Indian GAAP, proposed dividends including dividend distribution tax are recognised as a liability in the period to which they relate, irrespective of when they are declared. Under Ind AS, a proposed dividend is recognised as a liability in the period in which it is declared by the company (usually when approved by shareholders in a general meeting) or paid. Therefore, the liability of ₹ 4,100 for the year ended on 31 March 2015 recorded for dividend has been derecognised against retained earnings on 1 April 2015.

b) FVTOCI financial assets

Under Indian GAAP, the Company accounted for long-term investments in quoted equity shares as investment measured at cost less provision for other than temporary diminution in the value of investments. Under Ind AS, the Company has designated such investments as FVTOCI investments. Ind AS requires FVTOCI investments to be measured at fair value. At the date of transition to Ind AS, difference between the instruments fair value and Indian GAAP carrying amount has been recognised as a separate component of equity, in the retained earnings, net of related deferred taxes.

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

NOTES TO FINANCIAL STATEMENTS

2.19 FIRST-TIME ADOPTION OF IND AS (CONTINUED)

c) Mutual funds

Under Indian GAAP, investments in mutual funds are accounted for as short-term investments and accordingly they are carried at lower of cost and fair value. Under Ind AS, the Company has designated such investments as FVTPL investments. Ind AS requires FVTPL investments to be measured at fair value. At the date of transition to Ind AS, difference between the instruments fair value and Indian GAAP carrying amount has been recognised as a separate component of equity, in the retained earnings, net of related deferred taxes.

d) Deferred tax

Indian GAAP requires deferred tax accounting using the statement of profit and loss approach, which focuses on differences between taxable profits and accounting profits for the period. Ind AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind AS 12 approach has resulted in recognition of deferred tax on new temporary differences which was not required under Indian GAAP.

e) Trade receivables

Under Ind AS, impairment allowance has been determined based on Expected Credit Loss model (ECL). Due to ECL model, the group impaired its trade receivable by ₹ 40 on 1 April 2015 which has been eliminated against retained earnings.

f) In-process research and development expenditure

Under Indian GAAP, in-process research and development expenditure does not qualify for capitalisation as intangible asset. Under Ind AS, such expenditure is allowed to be capitalised as intangible asset. As the asset is not available for use yet, it is not subject to amortisation. However, the same is tested for impairment following the guidance available under Ind AS 38, *Intangible assets*.

g) Sale of goods

Under Indian GAAP, sale of goods was presented as net of excise duty. However, under Ind AS, sale of goods includes excise duty. Excise duty on sale of goods is included as part of sales in the face of statement of profit and loss. Thus sale of goods under Ind AS for the year ended 31 March 2016 has increased by ₹ 842 with a corresponding increase in cost of material consumed.

h) Defined benefit liabilities

Both under Indian GAAP and Ind AS, the Company recognised costs related to its post-employment defined benefit plan on an actuarial basis. Under Indian GAAP, the entire cost, including actuarial gains and losses, are charged to the statement of profit and loss. Under Ind AS, remeasurements (comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI. Thus the employee benefit cost is reduced by ₹ 183 and remeasurement gains/ losses on defined benefit plans has been recognised in the OCI, net of tax.

i) Share-based payments

Under Indian GAAP, the Company recognised only the intrinsic value of the options granted as an expense. Ind AS requires the fair value of the share options to be determined using an appropriate pricing model recognised over the vesting period. An additional expense of ₹ 16 has been recognised in the statement of profit and loss for the year ended 31 March 2016.

2.20 AUDITORS' REMUNERATION

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
a) Audit fees	12	11
b) Other charges		
Taxation matters*	1	1
Other matters	1	1
c) Reimbursement of out of pocket expenses	1	1
	15	14

**Represents ₹ 600 thousands (31 March 2016: ₹ 600 thousands) rounded off to millions above.*

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

NOTES TO FINANCIAL STATEMENTS

2.21 EARNINGS PER SHARE (EPS)

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Earnings		
Profit attributable to equity holders of the parent	13,841	13,743
Shares		
Number of shares at the beginning of the year	170,607,653	170,381,174
Add: Equity shares issued on exercise of vested stock options	211,564	226,479
Less: Buy back of equity shares	(5,077,504)	-
Total number of equity shares outstanding at the end of the year	165,741,713	170,607,653
Weighted average number of equity shares outstanding during the year – Basic	**166,648,943**	**170,547,643**
Add: Weighted average number of equity shares arising out of outstanding stock options that have dilutive effect on the EPS	348,732	525,137
Weighted average number of equity shares outstanding during the year – Diluted	**166,997,675**	**171,072,780**
Earnings per share of par value ₹ 5/- – Basic (₹)	83.05	80.59
Earnings per share of par value ₹ 5/- – Diluted (₹)	82.88	80.34

2.22 RELATED PARTIES

a. List of all 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	Cheminor Employees Welfare Trust, India
8	Chienna B.V., Netherlands (Merged with Dr. Reddy's Research and Development B.V. w e f from 1 January 2017)
9	Chirotech Technology Limited, UK
10	Dr. Reddy's Bio-sciences Limited, India
11	Dr. Reddy's Farmaceutica Do Brasil Ltda., Brazil
12	Dr. Reddy's Laboratories (Australia) Pty. Limited, Australia
13	Dr. Reddy's Laboratories (EU) Limited, UK
14	Dr. Reddy's Laboratories (Proprietary) Limited, South Africa
15	Dr. Reddy's Laboratories (UK) Limited, UK
16	Dr. Reddy's Laboratories Canada, Inc., Canada
17	Dr. Reddy's Laboratories Inc., USA
18	Dr. Reddy's Laboratories International SA, Switzerland
19	Dr. Reddy's Laboratories Japan KK, Japan
20	Dr Reddy's Laboratories Kazakhstan, Kazakhstan (from 30 November 2016)
21	Dr. Reddy's Laboratories LLC, Ukraine
22	Dr. Reddy's Laboratories Louisiana LLC, USA
23	Dr. Reddy's Laboratories New York, Inc., USA
24	Dr. Reddy's Laboratories Romania S.R.L., Romania
25	Dr. Reddy's Laboratories SA, Switzerland
26	Dr. Reddy's Laboratories SAS, Colombia
27	Dr. Reddy's Laboratories Tennessee, LLC, USA
28	Dr. Reddy's New Zealand Limited, New Zealand
29	Dr. Reddy's Pharma SEZ Limited, India
30	Dr. Reddy's Research and Development B.V. (formerly Octoplus BV)
31	Dr, Reddy's Research Foundation, India
32	Dr. Reddy's Singapore PTE Limited, Singapore
33	Dr. Reddy's Srl, Italy
34	Dr. Reddy's Venezuela, C.A., Venezuela

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

NOTES TO FINANCIAL STATEMENTS

2.22 RELATED PARTIES (CONTINUED)

35	DRL Impex Limited, India
36	Eurobridge Consulting B.V., Netherlands
37	Idea2Enterprises (India) Private Limited, India
38	Imperial Credit Private Limited, India (acquired w e f from 22 February 2017)
39	Industrias Quimicas Falcon de Mexico, S.A.de C.V, Mexico
40	Lacock Holdings Limited, Cyprus
41	OctoPlus Development B.V. (Merged with Dr. Reddy's Research and Development B.V. w e f from 1 January 2017)
42	OctoPlus PolyActive Sciences B.V.(Merged with Dr. Reddy's Research and Development B.V. w e f from 1 January 2017)
43	OctoPlus Sciences B.V.(Merged with Dr. Reddy's Research and Development B.V. w e f from 1 January 2017)
44	OctoPlus Technologies B.V.(Merged with Dr. Reddy's Research and Development B.V. w e f from1 January 2017)
45	OctoShare B.V.(Merged with Dr. Reddy's Research and Development B.V. w e f rom 1 January 2017)
46	OOO Dr. Reddy's Laboratories Limited, Russia
47	OOO DRS LLC, Russia
48	Promius Pharma LLC, USA
49	Reddy Antilles N.V., Netherlands
50	Reddy Cheminor S.A., France (liquidated during the year)
51	Reddy Holding GmbH, Germany
52	Reddy Netherlands B.V., Netherlands
53	Reddy Pharma Iberia SA, Spain
54	Reddy Pharma Italia S.R.L, Italy
55	Reddy Pharma SAS, France

Joint ventures

56	Kunshan Rotam Reddy Pharmaceutical Company Limited ("Reddy Kunshan"), China	Enterprise over which the Company exercises joint control with other joint venture partners and holds 51.33% of equity shares
57	DRANU LLC, USA	Enterprise over which the Company's step down subsidiary exercises joint control with other joint venture partner and holds 50% of equity shares
58	DRSS Solar Power Private Limited, India (under liquidation)	Enterprise over which the Company exercises joint control with other joint venture partners and holds 26% of equity shares
59	DRES Energy Private Limited, India	Enterprise over which the Company exercises joint control with other joint venture partners and holds 26% of equity shares

b. List of other related parties with whom transactions have taken place during the current and/or previous year:

1	Dr. Reddy's Institute of Life Sciences	Enterprise over which whole-time directors have significant influence
2	Stamlo Hotels Limited	Enterprise controlled by whole-time directors
3	Green Park Hotels and Resorts Limited	Enterprise controlled by relative of a whole-time director
4	K Samrajyam	Mother of Chairman
5	G Anuradha	Spouse of Chief Executive Officer
6	Deepti Reddy	Spouse of Chairman
7	G Mallika Reddy	Daughter of Chief Executive Officer
8	G V Sanjana Reddy	Daughter of Chief Executive Officer
9	Dr. Reddys Foundation	Enterprise over which whole-time directors and their relatives have significant influence
10	Pudami Educational Society	Enterprise over which whole-time directors and their relatives have significant influence

Further, the Company contributes to the Dr. Reddy's Laboratories Gratuity Fund, which maintains the plan assets of the Company's Gratuity Plan for the benefit of its employees.

c. In accordance with the provisions of Ind AS 24 "Related Party Disclosures" and the Companies Act, 2013, Company's Directors, members of the Company's Management Council and Company Secretary are considered as Key Management Personnel.

List of Key Management Personnel of the Company is as below:

1	K Satish Reddy	Whole-time director
2	G V Prasad	Whole-time director
3	Anupam Puri	Independent director
4	Bharat Narotam Doshi	Independent director

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

NOTES TO FINANCIAL STATEMENTS

2.22 RELATED PARTIES (CONTINUED)

5	Dr. Ashok Ganguly	Independent director
6	Dr. Bruce LA Carter	Independent director
7	Dr. Omkar Goswami	Independent director
8	Hans Peter Hasler	Independent director
9	J P Moreau (till 31 July 2015)	Independent director
10	Kalpana Morparia	Independent director
11	Ravi Bhoothalingam (till 27 July 2016)	Independent director
12	Sridar Iyengar	Independent director
13	Abhijit Mukherjee	Management council
14	Alok Sonig	Management council
15	Dr. Amit Biswas	Management council
16	Dr. Cartikeya Reddy	Management council
17	Dr. Chandrasekhar Sripada	Management council
18	Dr. K V S Ram Rao	Management council
19	Dr. Raghav Chari (till 31 October 2016)	Management council
20	Ganadhish Kamat (from 18 April 2016)	Management council
21	J Ramachandran (from September 2016)	Management council
22	M V Ramana	Management council
23	Samiran Das	Management council
24	Saumen Chakraborty	Management council
25	Umang Vohra (till 25 September 2015) and	Management council
26	Sandeep Poddar	Company secretary

d. Particulars of related party transactions

The following is a summary of significant related party transactions:

	PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
i.	Revenues from subsidiaries including step down subsidiaries:		
	Dr. Reddy's Laboratories Inc.	37,458	42,205
	OOO Dr. Reddy's Laboratories Limited	8,620	8,694
	Dr. Reddy's Laboratories SA	4,842	5,624
	Others	6,434	6,344
	Total	57,354	62,867
ii.	Interest income from subsidiaries including step down subsidiaries:		
	Industrias Quimicas Falcon de Mexico S.A. de C.V.	147	166
	Dr. Reddy's Farmaceutica Do Brasil Ltda.	70	-
	DRL Impex Limited	1	12
	Total	218	178
iii.	Service income from subsidiaries including step down subsidiaries:		
	Dr. Reddy's Laboratories Inc.	58	36
	Chirotech Technology Limited	21	8
	Dr. Reddy's Laboratories (EU) Limited	8	13
	Dr. Reddy's Laboratories SA	4	8
	Total	91	65
iv.	Licence fees from subsidiaries including step down subsidiaries:		
	Dr. Reddy's Laboratories SA	221	-
	Dr. Reddy's Laboratories Inc.	43	44
	betapharm Arzneimittel GmbH	-	1,855
	Total	264	1,899
v.	Commission on guarantee from Dr. Reddy's Laboratories SA	-	21

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

NOTES TO FINANCIAL STATEMENTS

2.22 RELATED PARTIES (CONTINUED)

	PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
vi.	Rent from Aurigene Discovery Technologies Limited	14	14
vii.	Dividend income from subsidiaries including step down subsidiaries:		
	Dr. Reddy's Laboratories SA	3,018	-
	Aurigene Discovery Technologies Limited	181	158
	Total	3,199	158
viii.	Reimbursement of operating and other expenses by subsidiaries and step down subsidiaries:		
	Promius Pharma LLC	80	-
	Aurigene Discovery Technologies Limited	37	28
	Dr. Reddy's Laboratories SA	-	150
	Total	117	178
ix.	Purchases and services from:		
	Subsidiaries including step down subsidiaries:		
	OOO Dr. Reddy's Laboratories Limited	2,828	2,393
	Dr. Reddy's Laboratories Inc.	1,403	1,584
	Dr. Reddy's Research and Development B.V.	993	1,276
	Chirotech Technology Limited	512	728
	Others	591	504
	Total	6,327	6,485
	Other related parties:		
	Dr. Reddy's Institute of Life Sciences	114	102
	Total	114	102
x.	Contributions for social development:		
	Dr. Reddy's Foundation	277	211
	Pudami Educational Society	41	38
	Total	318	249
xi.	Hotel expenses paid/payable to:		
	Green Park Hotels and Resorts Limited	39	44
	Stamlo Hotels Private Limited	5	7
	Total	44	51
xii.	Rent paid/payable to:		
	Key Management Personnel:		
	K Satish Reddy	15	15
	Relatives of Key Management Personnel:		
	G Anuradha	13	13
	Deepti Reddy	3	3
	K Samrajyam	2	2
	G Mallika Reddy	3	2
	G V Sanjana Reddy	3	2
	Total	24	22
xiii.	Remuneration to Key Management Personnel:		
	Salaries and other benefits[1]	301	241
	Contributions to defined contribution plans	28	19
	Commission to directors	180	263
	Share-based payments expense	76	77
	Total	585	600

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

NOTES TO FINANCIAL STATEMENTS

2.22 RELATED PARTIES (CONTINUED)

(1) In addition to the above, the Company has accrued ₹ 79 and ₹ 169 towards a long-term incentive plan for the services rendered by Key Management Personnel during the year ended 31 March 2017 and 31 March 2016, respectively.

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

	PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
xiv.	Investment made/(disposed) in :		
	Subsidiaries:		
	Idea2Enterprises (India) Private Limited	90	-
	Dr. Reddy's Farmaceutica Do Brasil Ltda.	33	158
	Imperial Credit Private Limited	31	-
	DRL Impex Limited	(660)	660
	Reddy Cheminor S.A.	(1)	-
	Dr. Reddy's Bio-Sciences Limited*	-	-
	Total	(507)	818
	Joint Ventures:		
	DRES Energy Private Limited	83	3
	Total	83	3
	**Rounded off to millions above*		
xv.	Provision made for other than temporary diminution in the value of non current investments:		
	DRL Impex Limited	(660)	660
	Total	(660)	660
xvi.	Proceeds on disposal of investments from Idea2Enterprises (India) Private Limited*	99	-
	**Sale of investment in DRL Impex Limited*		
xvii.	Loans and advances given including accrued interest/(repaid by):		
	Subsidiaries and step down subsidiaries, net:		
	DRL Impex Limited	(99)	(649)
	Industrias Quimicas Falcon de Mexico S.A. de C.V.	(63)	7
	Dr. Reddy's Farmaceutica Do Brasil Ltda.	70	-
	Total	(92)	(642)
xviii.	Provision made / (reversed) for loans given to DRL Impex Limited	(10)	(660)
xix	Guarantee given / (released) on behalf of subsidiaries and step down subsidiaries:		
	Dr. Reddy's Laboratories SA	-	(10,312)
	Dr. Reddy's Laboratories (EU) Limited	-	(107)
	Total	-	(10,419)

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

	PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
i	Due from related parties:		
	Subsidiaries including step down subsidiaries (included in trade receivables):		
	Dr. Reddy's Laboratories Inc.	24,674	23,080
	OOO Dr. Reddy's Laboratories Limited	6,165	5,231
	Others	10,622	7,367
	Total	41,461	35,678

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

NOTES TO FINANCIAL STATEMENTS

2.22 RELATED PARTIES (CONTINUED)

	PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
	Others:		
	Dr.Reddy's Foundation for Health and Education	-	1
	Rental deposit to Key Management Personnel and their relatives	8	8
	Total	8	9
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.	3,456	3,559
	Others	103	7
	Total	3,559	3,566
iii	Due to related parties (included in trade payables and other current liabilities):		
	Subsidiaries including step down subsidiaries:		
	Dr. Reddy's Laboratories Inc.	1,274	1,976
	OOO Dr. Reddy's Laboratories Limited	1,990	579
	Chirotech Technology Limited	258	417
	Dr. Reddy's Research and Development B.V.	237	157
	Others	349	129
	Total	4,108	3,258
	Others:		
	Dr. Reddy's Institute of Life Sciences	9	-*
	Green Park Hotels and Resorts Limited	-*	-*
	Stamlo Hotels Private Limited	-*	-
	Total	9	-*

**Rounded off to millions above*

Equity held in subsidiaries and joint venture has been disclosed under "Financial assets-Investments" (Note 2.4 A). Loans and advances to subsidiaries and joint venture have been disclosed under "Loans" (Note 2.4 C). Other receivables from subsidiaries and joint venture have been disclosed under "Other financial assets" (Note 2.4 D).

2.23 BUYBACK OF EQUITY SHARES

The Board of Directors of the Company, in their meeting held on 17 February 2016, approved a proposal to buy back equity shares of the Company, subject to approval by the Company's shareholders, for an aggregate amount not exceeding ₹ 15,694 and at a price not exceeding ₹ 3,500 per equity share. The plan involved the purchase of such shares from 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 were required to 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's shareholders approved the buyback plan on 1 April 2016, and implementation of the buyback plan commenced on 18 April 2016 and ended on 28 June 2016.

Under this plan, the Company bought back and extinguished 5,077,504 equity shares for an aggregate purchase price of ₹ 15,694. The aggregate face value of the equity shares bought back was ₹ 25.

2.24 CIF VALUE OF IMPORTS

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Raw materials	11,268	12,003
Capital equipment (including spares and components)	2,006	2,047
	13,274	14,050

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

NOTES TO FINANCIAL STATEMENTS

2.25 EARNINGS IN FOREIGN CURRENCY

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Exports on FOB basis	77,520	72,618
Interest on loan to subsidiaries	218	166
Service income and license fees	413	2,281
Guarantee commission	-	21
Dividend Income	3,018	-
Others	501	319
	81,670	75,405

2.26 EXPENDITURE IN FOREIGN CURRENCY

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Legal and professional	2,608	3,158
Bio-studies expenses	1,905	1,134
Interest on loans	508	664
Others*	8,060	8,109
	13,081	13,065

**excludes amount pertaining to provision for doubtful debts.*

2.27 DETAILS OF CASH TRANSACTIONS

Details of cash transactions during the period 8 November 2016 to 30 December 2016 in as follows:

All amounts in absolute ₹

PARTICULARS	SPECIFIED BANK NOTES*	OTHERS	TOTAL
Closing cash in hand as on 8 November 2016	722,000	474,078	1,196,078
Permitted receipts	-	198,500	198,500
Permitted payments	(62,000)	(136,336)	(198,336)
Amount deposited in bank	(660,000)	-	(660,000)
Closing cash in hand as on 30 December 2016	-	536,242	536,242

**Specified bank notes includes currency notes of denomination ₹ 1000 and ₹ 500.*

2.28 EMPLOYEE STOCK INCENTIVE PLANS

Dr. Reddy's Employees Stock Option Plan -2002 (the "DRL 2002 Plan"):

The Company instituted the DRL 2002 Plan for all eligible employees pursuant to 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"). The Nomination, Governance and Compensation Committee of the Board of DRL (the "Committee") administer the DRL 2002 Plan and grants stock options to eligible employees. The Committee determines which eligible employees will receive options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for all options issued on the date of grant. The options issued under the DRL 2002 Plan vest in periods ranging between one and four years and generally have a maximum contractual term of five years.

The DRL 2002 Plan, as amended at Annual General Meetings of shareholders 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 options reserved for grant having an exercise price equal to the fair market value of the underlying equity shares on the date of grant; and

Category B: 1,995,478 stock options out of the total of 2,295,478 options reserved for grant having an exercise price equal to the par value of the underlying equity shares (i.e., ₹ 5 per option).

Under the DRL 2002 Plan, the exercise price of the fair market value options granted under Category A above is determined based on the average closing price for 30 days prior to the grant in the stock exchange where there is highest trading volume during that period. Notwithstanding the foregoing, the Committee may, after obtaining the approval of the shareholders in the Annual General Meeting, grant options with a per share exercise price other than fair market value and par value of the equity shares.

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

NOTES TO FINANCIAL STATEMENTS

2.28 EMPLOYEE STOCK INCENTIVE PLANS (CONTINUED)

After the stock split effected in the form of stock dividend issued by the Company in August 2006, the DRL 2002 Plan provides for stock option grants in the above two categories as follows:

PARTICULARS	NUMBER OF OPTIONS RESERVED UNDER CATEGORY A	NUMBER OF OPTIONS RESERVED UNDER CATEGORY B	TOTAL
Options reserved under original plan	300,000	1,995,478	2,295,478
Options exercised prior to stock dividend date (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 stock dividend (C)	205,939	1,847,685	2,053,624
Options reserved after stock dividend (A+B+C)	**505,939**	**3,843,163**	**4,349,102**

Stock option activity under the DRL 2002 Plan for the two categories of options during the years ended 31 March 2017 and 31 March 2016 is as follows:

Category A – Fair Market Value Options:

There were no options outstanding under this category as of 31 March 2017 and 31 March 2016.

Category B – Par Value Options	FOR THE YEAR ENDED 31 MARCH 2017			
PARTICULARS	SHARES ARISING OUT OF OPTIONS	RANGE OF EXERCISE PRICES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING USEFUL LIFE (MONTHS)
Outstanding at the beginning of the period	427,348	5.00	5.00	72
Granted during the period	103,136	5.00	5.00	90
Expired/forfeited during the period	(22,597)	5.00	5.00	-
Exercised during the period	(177,745)	5.00	5.00	-
Outstanding at the end of the period	**330,142**	**5.00**	**5.00**	**69**
Exercisable at the end of the period	**40,882**	**5.00**	**5.00**	**38**

Category B – Par Value Options	FOR THE YEAR ENDED 31 MARCH 2016			
PARTICULARS	SHARES ARISING OUT OF OPTIONS	RANGE OF EXERCISE PRICES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING USEFUL LIFE (MONTHS)
Outstanding at the beginning of the period	585,454	5.00	5.00	71
Granted during the period	102,224	5.00	5.00	90
Expired/forfeited during the period	(66,319)	5.00	5.00	-
Exercised during the period	(194,011)	5.00	5.00	-
Outstanding at the end of the period	**427,348**	**5.00**	**5.00**	**72**
Exercisable at the end of the period	**53,801**	**5.00**	**5.00**	**42**

The weighted average grant date fair value of par value options granted under category B above of the DRL 2002 Plan during the years ended 31 March 2017 and 31 March 2016 was ₹ 3,266 and ₹ 3,350 per option, respectively. The weighted average share price on the date of exercise of options during the years ended 31 March 2017 and 31 March 2016 was ₹ 3,292 and ₹ 3,504 per share, respectively.

The aggregate intrinsic value of options exercised under the DRL 2002 Plan during the years ended 31 March 2017 and 31 March 2016 was ₹ 584 and ₹ 679, respectively. As of 31 March 2017, options outstanding under the DRL 2002 Plan had an aggregate intrinsic value of ₹ 867 and options exercisable under the DRL 2002 Plan had an aggregate intrinsic value of ₹ 107.

The term of the DRL 2002 plan was extended for a period of 10 years effective as of 29 January 2012 by the shareholders at the Company's Annual General Meeting held on 20 July 2012.

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

NOTES TO FINANCIAL STATEMENTS

2.28 EMPLOYEE STOCK INCENTIVE PLANS (CONTINUED)

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 became effective upon its approval by the Board of Directors on 22 January 2007. The DRL 2007 Plan covers all employees and directors (excluding promoter directors) of DRL and its subsidiaries (collectively, "eligible employees"). The Committee administers the DRL 2007 Plan and grants stock options to eligible employees. The Committee determines which eligible employees will receive the options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for all options issued on the date of grant. The options issued under the DRL 2007 Plan vest in periods ranging between one and four years and generally have a maximum contractual term of five years.

The DRL 2007 Plan provides for option grants in two categories:

Category A: 382,695 stock options out of the total of 1,530,779 stock options reserved for grant having an exercise price equal to the fair market value of the underlying equity shares on the date of grant; and

Category B: 1,148,084 stock options out of the total of 1,530,779 stock options reserved for grant having an exercise price equal to the par value of the underlying equity shares (i.e., ₹ 5 per option).

Category A – Fair Market Value Options:

There were no options outstanding under this category as of 31 March 2017 and 31 March 2016.

Category B – Par Value Options	FOR THE YEAR ENDED 31 MARCH 2017			
PARTICULARS	SHARES ARISING OUT OF OPTIONS	RANGE OF EXERCISE PRICES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING USEFUL LIFE (MONTHS)
Outstanding at the beginning of the period	92,043	5.00	5.00	79
Granted during the period	52,956	5.00	5.00	90
Expired/forfeited during the period	(23,039)	5.00	5.00	-
Exercised during the period	(33,819)	5.00	5.00	-
Outstanding at the end of the period	**88,141**	**5.00**	**5.00**	**74**
Exercisable at the end of the period	**6,517**	**5.00**	**5.00**	**43**

Category B – Par Value Options	FOR THE YEAR ENDED 31 MARCH 2016			
PARTICULARS	SHARES ARISING OUT OF OPTIONS	RANGE OF EXERCISE PRICES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING USEFUL LIFE (MONTHS)
Outstanding at the beginning of the period	98,350	5.00	5.00	72
Granted during the period	40,184	5.00	5.00	90
Expired/forfeited during the period	(14,023)	5.00	5.00	-
Exercised during the period	(32,468)	5.00	5.00	-
Outstanding at the end of the period	**92,043**	**5.00**	**5.00**	**79**
Exercisable at the end of the period	**7,141**	**5.00**	**5.00**	**45**

The weighted average grant date fair value of par value options granted under category B of the DRL 2007 Plan during the years ended 31 March 2017 and 31 March 2016 was ₹ 3,266 and ₹ 3,465, respectively. The weighted average share price on the date of exercise of options during the years ended 31 March 2017 and 31 March 2016 was ₹ 3,268 and ₹ 3,575, respectively.

The aggregate intrinsic value of options exercised under the DRL 2007 Plan during the years ended 31 March 2017 and 31 March 2016 was ₹ 110 and ₹ 116, respectively. As of 31 March 2017, options outstanding under the DRL 2007 Plan had an aggregate intrinsic value of ₹ 232 and options exercisable under the DRL 2007 Plan had an aggregate intrinsic value of ₹ 17.

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 one to four years. After vesting, such stock options 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

2.28 EMPLOYEE STOCK INCENTIVE PLANS (CONTINUED)

Valuation of stock options:

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:

PARTICULARS	GRANTS MADE ON			
	15 NOVEMBER 2016	20 SEPTEMBER 2016	26 JULY 2016	11 MAY 2015
Expected volatility	32.77%	32.92%	29.88%	25.98%
Exercise price	₹ 5.00	₹ 5.00	₹ 5.00	₹ 5.00
Option life	2.5 Years	2.5 Years	2.5 Years	2.5 Years
Risk-free interest rate	6.27%	6.81%	6.91%	7.87%
Expected dividends	0.60%	0.60%	0.60%	0.60%
Grant date share price	₹ 3,310.70	₹ 3,157.80	₹ 3,319.65	₹ 3,359.70

The fair value of services received in return for stock options granted to employees is measured by reference to the fair value of stock options granted.

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
Abhijit Mukherjee	Chief Operating Officer	5,500	–
Alok Sonig	Executive Vice President and Head - North America Generics	–	3,760
Dr. Cartikeya Reddy	Executive Vice President– Biologics	3,500	–
Saumen Chakraborty	President, Chief Financial Officer and Global Head - IT & BPE	4,000	–
M.V. Ramana	Executive Vice President and Head - Branded Markets (India & Emerging markets)	3,760	–
Samiran Das	Executive Vice President and Head - Global Manufacturing Operations	3,000	–
Dr. Amit Biswas	Executive Vice President - Integrated Product Development	3,000	–
Dr. K.V.S. Ram Rao	Senior Vice President and Head - PSAI Commercial Organisation	2,700	–
Dr. S. Chandrasekhar	President and Global Head - Human Resources	3,000	–
Dr. Raghav Chari (until 31 October 2016)	Executive Vice President and Head - Proprietary Products	–	3,760
Ganadhish Kamat	Executive Vice President and Head Global Quality Organization	3,096	–
Anil Namboodiripad	Senior Vice President, Proprietary Products and Head, Promius Pharma.	–	1,400

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.

Share-based payment expense

For the years ended 31 March 2017 and 31 March 2016 the Company recorded employee share-based payment expense of ₹ 377 and ₹ 442, respectively. As of 31 March 2017, there was approximately ₹ 432 of total unrecognised compensation cost related to unvested stock options. This cost is expected to be recognised over a weighted-average period of 2.95 years.

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

NOTES TO FINANCIAL STATEMENTS

2.29 EMPLOYEE BENEFITS

Gratuity benefits provided by the Company

In accordance with applicable Indian laws, the Company has a defined benefit plan which provides for gratuity payments (the "Gratuity Plan") and covers certain categories of employees in India. The Gratuity Plan provides a lump sum gratuity payment to eligible employees at retirement or termination of their employment. The amount of the payment is based on the respective employee's last drawn salary and the years of employment with the Company. Effective 1 September 1999, the Company established the Dr. Reddy's Laboratories Gratuity Fund (the "Gratuity Fund") to fund the Gratuity Plan. 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 invested in bonds issued by Government of India, corporate debt securities and in equity securities of Indian companies.

The components of gratuity cost recognised in the statement of profit and loss for the years ended 31 March 2017 and 31 March 2016 consist of the following:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Current service cost	221	177
Interest on net defined benefit liability, net	14	2
Gratuity cost recognised in statement of profit and loss	**235**	**179**

Details of the employee benefits obligations and plan assets are provided below:

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
Present value of funded obligations	1,840	1,540
Fair value of plan assets	(1,687)	(1,303)
Net defined benefit liability recognised	**153**	**237**

Details of changes in the present value of defined benefit obligations are as follows:

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
Defined benefit obligations at the beginning of the year	1,540	1,236
Current service cost	221	177
Interest on defined obligations	114	93
Re-measurements due to:		
Actuarial loss due to change in financial assumptions	30	35
Actuarial (gain)/loss due to demographic assumptions	(12)	11
Actuarial loss due to experience changes	62	106
Benefits paid	(115)	(118)
Defined benefit obligations at the end of the year	**1,840**	**1,540**

Details of changes in the fair value of plan assets are as follows:

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
Fair value of plan assets at the beginning of the year	1,303	1,157
Employer contributions	348	190
Interest on plan assets	99	91
Re-measurements due to:		
Return on plan assets excluding interest on plan assets	52	(17)
Benefits paid	(115)	(118)
Plan assets at the end of the year	**1,687**	**1,303**

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

NOTES TO FINANCIAL STATEMENTS

2.29 EMPLOYEE BENEFITS (CONTINUED)

Sensitivity analysis:

PARTICULARS	AS AT 31 MARCH 2017
Defined benefit obligation without effect of projected salary growth	1,054
Add: Effect of salary growth	786
Defined benefit obligation with projected salary growth	1,840
Defined benefit obligation, using discount rate minus 50 basis points	1,911
Defined benefit obligation, using discount rate plus 50 basis points	1,774
Defined benefit obligation, using salary growth rate plus 50 basis points	1,910
Defined benefit obligation, using salary growth rate minus 50 basis points	1,774

Summary of the actuarial assumptions: The actuarial assumptions used in accounting for the Gratuity Plan are as follows:

The assumptions used to determine benefit obligations:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Discount rate	7.20%	7.80%
Rate of compensation increase	7% per annum for first year and 9% per annum thereafter	10% per annum for first 2 years and 9% per annum thereafter

The assumptions used to determine gratuity cost:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Discount rate	7.80%	8.00%
Rate of compensation increase	10% per annum for first 2 years and 9% per annum thereafter	10% per annum for first 2 years and 9% per annum thereafter

Contributions: The Company expects to contribute ₹ 153 to the Gratuity Plan during the year ending 31 March 2018.

Disaggregation of plan assets: The Gratuity Plan's weighted-average asset allocation at 31 March 2017 and 31 March 2016, by asset category, was as follows:

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
Funds managed by insurers	99%	99%
Others	1%	1%

The expected future cash flows in respect of gratuity as at 31 March 2017 were as follows:

PARTICULARS	AMOUNT
Expected contribution	
During the year ended 31 March 2018	153
Expected future benefit payments	
31 March 2018	209
31 March 2019	196
31 March 2020	192
31 March 2021	188
31 March 2022	176
Thereafter	2,581

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

NOTES TO FINANCIAL STATEMENTS

2.29 EMPLOYEE BENEFITS (CONTINUED)

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 ₹ 656 and ₹ 551 to the provident fund plan during the years ended 31 March 2017 and 31 March 2016, 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 ₹ 79 and ₹ 71 to the superannuation plan for the years ended 31 March 2017 and 31 March 2016, respectively.

Compensated absences

The Company provides for accumulation of compensated absences by certain categories of its employees. These employees can carry forward a portion of the unutilised compensated absences and utilise it in future periods or receive cash in lieu thereof as per the Company's policy. The Company records a liability for compensated absences in the period in which the employee renders the services that increases this entitlement. The total liability recorded by the Company towards this obligation was ₹ 746, ₹ 710 and ₹ 542 as at 31 March 2017, 31 March 2016 and 1 April 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 ₹ 523, ₹ 571 and ₹ 188 as at 31 March 2017, 31 March 2016 and 1 April 2015, respectively.

Total employee benefit expenses, including share-based payments, incurred during the years ended 31 March 2017 and 31 March 2016 amounted to ₹ 18,033 and ₹ 16,934 respectively.

2.30 INCOME TAXES

a. Income tax expense/(benefit) recognised in the statement of profit and loss

Income tax expense recognised in the statement of profit and loss consists of the following:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Current taxes	1,826	4,182
Deferred taxes benefit	(222)	(1,159)
Total income tax expense recognised in the statement of profit and loss	1,604	3,023

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

Income tax expense/(benefit) recognised directly in equity consist of the following:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Tax effect on effective portion of change in fair value of cash flow hedges	51	(23)
Tax effect on actuarial gains/losses on defined benefit obligations	(15)	(63)
Total income tax expense/(benefit) recognized in the equity	36	(86)

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

NOTES TO FINANCIAL STATEMENTS

2.30 INCOME TAXES (CONTINUED)

c. Reconciliation of effective tax rate

The following is a reconciliation of the Company's effective tax rates for the years ended 31 March 2017 and 31 March 2016:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Profit before income taxes	15,445	16,766
Enacted tax rate in India	34.608%	34.608%
Computed expected tax expense	5,345	5,802
Effect of:		
Unrecognised deferred tax assets	2,652	492
Reversal of earlier years tax provisions	(1,349)	-
Income exempt from income taxes	(445)	(905)
Incremental deduction allowed for research and development costs	(3,094)	(2,685)
Investment Allowance deduction	(363)	(177)
Deferred taxes on undistributed earnings of subsidiary outside India	(519)	519
Current taxes on undistributed earnings of subsidiary outside India	(521)	-
Others	(102)	(23)
Income tax expense	1,604	3,023
Effective tax rate	10.39%	18.03%

The Company's average tax rates for the years ended 31 March 2017 and 31 March 2016 were 10.39% and 18.03%, respectively.

The decrease in the Company's effective tax rate for the year ended 31 March 2017 was primarily due to resolution of certain tax matters pertaining to earlier years.

d. Unrecognised deferred tax assets

The details of unrecognised deferred tax assets are summarised below:

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
Deductible temporary differences	3,144	492
	3,144	492

During the year ended 31 March 2017, the Company did not recognise deferred tax assets of ₹ 2,652, primarily on MAT credit entitlement, as the Company believes that availability of taxable profits is not probable. The above tax losses expire at various dates ranging from 2021 through 2032.

e. Deferred tax assets and liabilities

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

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
Deferred tax assets/(liabilities)		
Minimum Alternate Tax*	1,636	1,636
Trade receivables	1,469	1,450
Operating tax loss	257	-
Current liabilities and provisions	437	(52)
Loans	29	26
Property , plant and equipment	(2,517)	(2,011)
Investments	(490)	(414)
Net deferred tax assets	821	635

* As per Indian tax laws, companies are liable for a Minimum Alternate Tax ("MAT" tax) when current tax, as computed under the provisions of the Income Tax Act, 1961 ("Tax Act"), is determined to be below the MAT tax computed under section 115JB of the Tax Act. The excess of MAT tax over current tax is eligible to be carried forward and set-off in the future against the current tax liabilities over a period of 15 years.

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

NOTES TO FINANCIAL STATEMENTS

2.30 INCOME TAXES (CONTINUED)

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

Operating loss carry forward mainly consists of unabsorbed depreciation which can be carried forwarded without any restriction on time limit.

f. Movement in deferred tax assets and liabilities during the years ended 31 March 2017 and 31 March 2016

PARTICULARS	AS AT 1 APRIL 2016	RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS	RECOGNISED IN EQUITY	AS AT 31 MARCH 2017
Deferred tax assets/(liabilities)				
Minimum Alternate Tax	1,636	-	-	1,636
Trade receivables	1,450	19	-	1,649
Operating tax loss	-	257	-	257
Current liabilities and provisions	(52)	525	(36)	437
Loans	26	3	-	29
Property , plant and equipment	(2,011)	(506)	-	(2,517)
Investments	(414)	(76)	-	(490)
Net deferred tax assets/(liabilities)	**635**	**222**	**(36)**	**821**

PARTICULARS	AS AT 1 APRIL 2015	RECOGNISED IN THE STATEMENT OF PROFIT AND LOSS	RECOGNISED IN EQUITY	AS AT 31 MARCH 2016
Deferred tax assets/(liabilities)				
Minimum Alternate Tax	644	992	-	1,636
Trade receivables	106	1,344	-	1,450
Operating tax loss	-	-	-	-
Current liabilities and provisions	213	(351)	86	(52)
Loans	23	3	-	26
Property , plant and equipment	(1,458)	(553)	-	(2,011)
Investments	(138)	(276)	-	(414)
Net deferred tax assets/(liabilities)	**(610)**	**1,159**	**86**	**635**

2.31 OTHER INVESTMENTS

Other investments consist of investments in units of mutual funds, equity securities and term deposits (i.e., certificates of deposit having an original maturity period exceeding 3 months and less than 12 months) with banks. The details of such investments as of 31 March 2017 are as follows:

PARTICULARS	COST	GAIN RECOGNISED DIRECTLY IN EQUITY	GAIN RECOGNISED DIRECTLY IN STATEMENT OF PROFIT AND LOSS	FAIR VALUE
Current portion				
Investment in units of mutual funds	9,464	-	1,417	10,881
Term deposits with banks	2,110	-	-	2,110
	11,574	-	1,417	12,991
Non current portion				
Investment in equity securities	74	32	(70)	36
	74	32	(70)	36
Total	11,648	32	1,347	13,027

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

NOTES TO FINANCIAL STATEMENTS

2.31 OTHER INVESTMENTS (CONTINUED)

As of 31 March 2016, the details of such investments were as follows:

PARTICULARS	COST	GAIN RECOGNISED DIRECTLY IN EQUITY	GAIN RECOGNISED DIRECTLY IN STATEMENT OF PROFIT AND LOSS	FAIR VALUE
Current portion				
Investment in units of mutual funds	21,121	-	1,199	22,320
Term deposits with banks	10,660	-	-	10,660
	31,781	-	1,199	32,980
Non current portion				
Investment in equity securities	74	20	(70)	24
	74	20	(70)	24
Total	31,855	20	1,129	33,004

Investment in unquoted mutual funds (Refer note 2.4 A)

FUND NAME	AS AT 31 MARCH 2017		AS AT 31 MARCH 2016		AS AT 1 APRIL 2015	
	UNITS	AMOUNT	UNITS	AMOUNT	UNITS	AMOUNT
TATA Money Market Fund - Direct Plan – Growth	470,148	1,205	251,808	601	-	-
Birla Sun Life Treasury Optimizer Plan -Direct Plan- Growth	5,645,005	1,187	5,645,005	1,073	5,645,005	985
Reliance FRF – Short Term - Direct Plan – Growth	41,882,359	1,101	64,538,060	1,560	64,538,060	1,437
IDFC SSIF MTP - Direct Plan –Growth	34,380,316	982	34,380,316	892	34,380,316	824
Reliance Medium Term Fund - Direct Plan – Growth	23,140,046	803	-	-	17,284,292	503
Axis Short Term Fund - Direct Plan –Growth	41,901,856	771	41,901,856	703	41,901,856	645
IDFC Super Saver Income Fund Short Term Plan Growth	19,461,900	668	19,461,900	614	26,714,768	775
Birla SL Short Term Fund -Direct Plan –Growth	9,658,402	604	9,658,402	551	9,658,402	507
HSBC Income Fund Short Term Plan -Direct Plan - Growth Direct Plan	21,501,955	601	21,501,955	549	21,501,955	507
L&T Liquid Fund - Direct Plan Growth	269,122	600	339,126	705	-	-
ICICI Prudential Flexible income - Direct Plan –Growth	1,919,547	600	-	-	-	-
HDFC Short Term Opportunities Fund Direct Plan Growth	28,546,552	517	64,875,313	1,077	36,328,761	991
ICICI Prudential Banking & PSU Debt- Direct Plan –Growth	26,068,852	493	-	-		
Sundaram Ultra Short Term Direct Plan - Bonus Plan	29,038,263	377	29,038,263	348	29,038,263	320
Reliance Short Term Fund - Direct Plan – Growth	11,772,000	372	30,835,233	889	19,063,233	819
Sundaram Ultra Short Term Direct Plan – Growth	-	-	69,353,256	1,455	23,473,811	453
TATA Short Term Bond Fund - Direct Plan – Growth	-	-	36,945,933	1,063	19,165,753	507
Axis Liquid Fund - Direct Plan – Growth	-	-	601,301	1,010	-	-
SBI Premier Liquid Fund - Direct Plan – Growth	-	-	379,715	904	-	-
JM High Liquidity Fund Direct Plan – Growth	-	-	19,368,652	803	-	-
ICICI Prudential Ultra Short Term Fund - Direct Plan –Growth	-	-	46,042,021	719	-	-
L&T Cash Fund - Direct Plan – Growth	-	-	452,661	555	442,569	502
Birla Sun Life Cash Plus - Direct plan – Growth	-	-	2,221,838	541	-	-
Reliance Liquidity Fund - Direct Plan – Growth	-	-	231,614	529	-	-
ICICI PRU Money Market Fund - Direct Plan – Growth	-	-	2,475,861	519	5,179,112	1,002
Birla Sun Life Floating Rate Fund Short Term Plan - Direct plan – Growth	-	-	2,524,974	510	-	-
Reliance Liquid Fund - Cash Plan - Direct Plan – Growth	-	-	205,578	503	355,661	802
JM Arbitrage Adv Fund - Direct Plan - Annualised Bonus Plan principal Units	-	-	43,119,046	464	32,578,578	342
ICICI Prudential Blended Plan B - Direct Plan –Growth	-	-	19,848,260	448	19,848,260	414
DSP BR Ultra Term Plan - Direct plan – Growth	-	-	36,949,112	406	-	-
HDFC Liquid Fund - Direct Plan – Growth	-	-	133,884	400	-	-
DWS Medium Term Income Fund - Direct Plan – Growth	-	-	25,930,472	329	25,930,472	303
HDFC FRIF STF WP - Direct Plan – Growth	-	-	11,677,287	305	-	-
IDFC Ultra Short Term Fund - Direct Plan –Growth	-	-	14,286,667	304	-	-

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

NOTES TO FINANCIAL STATEMENTS

2.31 OTHER INVESTMENTS (CONTINUED)

FUND NAME	AS AT 31 MARCH 2017		AS AT 31 MARCH 2016		AS AT 1 APRIL 2015	
	UNITS	AMOUNT	UNITS	AMOUNT	UNITS	AMOUNT
IDFC Banking Debt Fund Fund - Direct Plan –Growth	-	-	23,287,586	303	-	-
ICICI PRU Liquid Fund - Direct Plan – Growth	-	-	1,135,705	254	2,415,432	500
IDFC Cash Fund - Direct Plan –Growth	-	-	123,621	227	-	-
TATA Treasury Manager Fund - Direct Plan – Growth	-	-	102,256	207	-	-
Axis Banking Debt Fund - Direct Plan – Growth	-	-	-	-	319,795	912
BNP Paribas medium term income fund - Direct Plan	-	-	-	-	26,899,798	304
HDFC Banking & PSU Debt Fund - Direct Plan – Growth	-	-	-	-	45,394,707	501
HDFC Cash Mgmt Fund - Savings Plan – Growth	-	-	-	-	17,169,327	501
HSBC Cash Fund - Direct plan – Growth	-	-	-	-	1,077,126	1,503
ICICI Prudential blended plan- Regular dividend	-	-	-	-	33,255,737	449
IDFC Arbitrage Plus Fund Dividend Pay out -Direct Plan	-	-	-	-	24,759,221	298
IDFC Money Manager Fund - TP- Direct Plan –Growth	-	-	-	-	22,628,837	1,004
JPMorgan India Active Bond Fund - Direct Plan – Growth	-	-	-	-	52,118,622	809
Reliance Money Manager Fund - Direct Plan – Growth	-	-	-	-	259,866	501
SBI Magnum Insta Cash plan - Direct Plan – Growth	-	-	-	-	323,236	1,001
TATA Liquid Fund - Direct Plan – Growth	-	-	-	-	193,950	501
Total	295,656,323	10,881	679,824,537	22,320	659,844,781	21,422

2.32 OPERATING LEASES

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. Rental expense under these leases was ₹ 297 and ₹ 271 for the years ended 31 March 2017 and 31 March 2016, respectively.

The schedule of future minimum rental payments in respect of non-cancellable operating leases is set out below:

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
Less than one year	107	85
Between one and five years	122	96
Total	229	181

2.33 FINANCE LEASE

The Company has taken vehicles on finance lease. The future minimum lease payments and their present values as at 31 March 2017 are as follows:

PARTICULARS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS	FUTURE INTEREST	FUTURE MINIMUM LEASE PAYMENTS
Not later than one year	1	-*	1
Later than one year and not later than five years	-	-	-
Total	1	-*	1

**Rounded off to millions above*

The future minimum lease payments and their present values as at 31 March 2016 were as follows:

PARTICULARS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS	FUTURE INTEREST	FUTURE MINIMUM LEASE PAYMENTS
Not later than one year	7	5	12
Later than one year and not later than five years	1	-	1
Total	8	5	13

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

NOTES TO FINANCIAL STATEMENTS

2.34 FINANCIAL INSTRUMENTS

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

PARTICULARS	CARRYING VALUE			FAIR VALUE		
	31 MARCH 2017	31 MARCH 2016	1 APRIL 2015	31 MARCH 2017	31 MARCH 2016	1 APRIL 2015
Financial assets						
Cash and cash equivalents	668	2,021	675	668	2,021	675
Investments	31,019	50,761	47,391	31,019	50,761	47,391
Trade receivables	44,260	38,895	47,077	44,260	38,895	47,077
Loans	1,932	2,200	2,283	1,932	2,200	2,283
Derivative instruments	220	175	388	220	175	388
Other financial assets	1,299	3,193	1,029	1,299	3,193	1,029
Total	79,398	97,245	98,843	79,398	97,245	98,843
Financial liabilities						
Trade payables	7,787	7,192	7,160	7,787	7,192	7,160
Long term borrowings	4,852	9,939	9,383	4,852	9,939	9,383
Short term borrowings	18,699	20,896	21,857	18,699	20,896	21,857
Derivative instruments	6	52	109	6	52	109
Other financial liabilities	11,550	12,156	10,267	11,550	12,156	10,267
Total	42,894	50,235	48,776	42,894	50,235	48,776

Fair value hierarchy

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table presents the fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 31 March 2017:

PARTICULARS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
FVTPL - Financial asset - Investments in units of mutual funds	10,881	-	-	10,881
FVTOCI - Financial asset - Investment in equity securities	35	-	-	35
Derivative financial instruments - gain/(loss) on outstanding foreign exchange forward, option and swap contracts and interest rate swap contracts[(1)]	-	214	-	214

The following table presents the fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 31 March 2016:

PARTICULARS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
FVTPL - Financial asset - Investments in units of mutual funds	22,320	-	-	22,320
FVTOCI - Financial asset - Investment in equity securities	23	-	-	23
Derivative financial instruments - gain/(loss) on outstanding foreign exchange forward, option and swap contracts and interest rate swap contracts[(1)]	-	123	-	123

(1) 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 option and swap contracts. The most frequently applied valuation techniques include forward pricing, swap models and Black-Scholes-Merton models (for option valuation), using present value calculations.

The models incorporate various inputs including foreign exchange spot and forward rates, interest rate curves and forward rate curves. As at 31 March 2017, the changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

Derivative financial instruments

The Company is exposed to exchange rate risk that arises from its foreign exchange revenues and expenses, primarily in US dollars, UK pounds sterling, Russian roubles, Venezuelan bolivars and Euros, and foreign currency debt in US dollars, Russian roubles and Euros. The Company uses forward contracts, option contracts and currency swap contracts (collectively, "derivatives") to mitigate its risk of changes in foreign currency exchange rates.

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

NOTES TO FINANCIAL STATEMENTS

2.34 FINANCIAL INSTRUMENTS (CONTINUED)

The counterparty for these contracts is generally a bank or a financial institution. The Company had a derivative financial asset and derivative financial liability of ₹ 220 and ₹ 6, respectively, as at 31 March 2017 as compared to derivative financial asset and derivative financial liability of ₹ 175 and ₹ 52, respectively, as at 31 March 2016 towards these derivative financial instruments.

Further, in respect of these foreign exchange derivative contracts, the Company has recorded, as part of foreign exchange gain and losses, a net gain of ₹ 945, and a net gain of ₹ 275 for the years ended 31 March 2017 and 31 March 2016 respectively.

Hedges of highly probable forecasted transactions

The Company classifies its derivative contracts that hedge foreign exchange risk associated with its 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 a component of equity 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 of such cash flow hedges is immediately recorded in the statement of profit and loss as a foreign exchange gain and losses.

The Company also designates certain non derivative financial liabilities, such as foreign currency borrowings from banks, as hedging instruments for the hedge of foreign exchange 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 a component of equity 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 recorded, as a component of equity, a net gain of ₹ 145, and a net loss of ₹ 65 for the years ended 31 March 2017 and 31 March 2016 respectively.

The Company also recorded, as a component of revenue, a net gain of ₹ 136 and ₹ 299 during the years ended 31 March 2017 and 31 March 2016, respectively.

The net carrying amount of the Company's "hedging reserve" as a component of equity before adjusting for tax impact was a gain of ₹ 129 as at 31 March 2017, as compared to a loss of ₹ 19 as at 31 March 2016.

The following table gives details in respect of the notional amount of outstanding foreign exchange derivative contracts as of 31 March 2017:

Amounts in million

CATEGORY	INSTRUMENT	CURRENCY	CROSS CURRENCY	AMOUNT	BUY/SELL
Hedges of recognised assets and liabilities	Forward contract	US$	INR	US$ 193.5	Sell
	Option contract	US$	INR	US$ 80.0	Sell
Hedges of highly probable forecasted transactions	Forward contract	RUB	INR	RUB 150.0	Sell
	Option contract	US$	INR	US$ 180.0	Sell

The following table gives details in respect of the notional amount of outstanding foreign exchange derivative contracts as of 31 March 2016:

Amounts in million

CATEGORY	INSTRUMENT	CURRENCY	CROSS CURRENCY	AMOUNT	BUY/SELL
Hedges of recognised assets and liabilities	Forward contract	US$	INR	US$ 97.0	Sell
	Forward contract	EUR	US$	EUR 3.0	Sell
	Option contract	US$	INR	US$ 100.0	Sell
Hedges of highly probable forecasted transactions	Forward contract	RUB	INR	RUB 600.0	Sell
	Option contract	EUR	INR	EUR 6.0	Sell
	Option contract	US$	INR	US$ 235.0	Sell

"INR" means Indian Rupees, and "RUB" means Russian roubles, US$ means US dollars, EUR means Euros.

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

NOTES TO FINANCIAL STATEMENTS

2.34 FINANCIAL INSTRUMENTS (CONTINUED)

The table below summarises the periods when the cash flows associated with highly probable forecasted transactions that are classified as cash flow hedges are expected to occur:

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
Cash flows in US Dollars		
Not later than one month	973	994
Later than one month and not later than three months	1,945	5,300
Later than three months and not later than six months	2,918	5,300
Later than six months and not later than one year	5,837	3,976
	11,673	15,570
Cash flows in Russian Roubles		
Not later than one month	57	123
Later than one month and not later than three months	115	246
Later than three months and not later than six months	-	222
Later than six months and not later than one year	-	-
	172	591
Cash flows in Euros		
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
	-	452

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 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 recognised as part of finance cost.

As at 31 March 2017 and 31 March 2016, the Company had no outstanding interest rate swap arrangements.

2.35 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 the Company's risk assessment and management policies and processes.

a. Credit risk

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

Trade and other receivables

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

Investments

The Company limits its exposure to credit risk by generally investing in liquid securities and only with counterparties that have a good credit rating. The Company does not expect any losses from non-performance by these counter-parties, and does not have any significant concentration of exposures to specific industry sectors or specific country risks.

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

NOTES TO FINANCIAL STATEMENTS

2.35 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial assets that are neither past due nor impaired

None of the Company's cash equivalents, including term deposits (i.e., certificates of deposit) with banks, were past due or impaired as at 31 March 2017. Of the total trade receivables, ₹ 31,071 as at 31 March 2017 and ₹ 25,826 as at 31 March 2016 consisted of customer balances that were neither past due nor impaired.

Financial assets that are past due but not impaired

The Company's credit period for customers generally ranges from 20 - 180 days. The ageing of trade receivables that are past due but not impaired is given below:

PERIOD (IN DAYS)	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
1 – 90	9,604	8,770
90 – 180	805	1,568
More than 180	2,780	2,731
Total	13,189	13,069

Reconciliation of the allowances for credit losses

The details of changes in allowances for credit losses during the year ended 31 March 2017 and 31 March 2016 are as follows:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Balance as at 1 April	3,957	345
Provision made during the year	159	3,704
Trade receivables written off during the year	(54)	(6)
Provision reversed during the year	(49)	(86)
Effect of changes in the foreign exchange rates	(75)	-
Balance as at 31 March	3,938	3,957

On account of adoption of Ind AS 109, the Company uses Expected Credit Loss (ECL) model for assessing the impairment loss. For this purpose, the Company uses a provision matrix to compute the expected credit loss amount for trade receivables. The provision matrix takes into account external and internal credit risk factors and historical data of credit losses from various customers.

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 during the year ended 31 March 2017 and 31 March 2016 are as follows:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Balance as at 1 April	430	1,067
Provision made during the year	-	-
Loans and advances written off during the year	-	-
Provision reversed during the year	(10)	(660)
Effect of changes in the foreign exchange rates	(8)	23
Balance as at 31 March	412	430

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 2017 and 31 March 2016, the Company had unutilised credit limits from banks of ₹ 12,437 and ₹ 12,304 respectively.

As at 31 March 2017, the Company had working capital (current assets less current liabilities) of ₹ 43,358, including cash and cash equivalents of ₹ 668, investments in term deposits (i.e., bank certificates of deposit having original maturities of more than 3 months) of ₹ 2,110 and investments in FVTPL financial assets of ₹ 10,881. As at 31 March 2016, the Company had working capital of ₹ 58,224, including cash and cash equivalents of ₹ 2,021, investments in term deposits (i.e., bank certificates of deposit having original maturities of more than 3 months) of ₹ 10,660 and investments in FVTPL financial assets of ₹ 22,320.

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

NOTES TO FINANCIAL STATEMENTS

2.35 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 2.33 to these financial statements) as at 31 March 2017:

PARTICULARS	2018	2019	2020	2021	THEREAFTER	TOTAL
Trade payables	7,787	-	-	-	-	7,787
Long term borrowings	-	-	1,610	3,242	-	4,852
Bank overdraft, short-term loans and borrowings	18,699	-	-	-	-	18,699
Other liabilities	11,550	-	-	-	-	11,550
Derivative financial instruments – liabilities	6	-	-	-	-	6

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 2.33 to these financial statements) as at 31 March 2016:

PARTICULARS	2017	2018	2019	2020	THEREAFTER	TOTAL
Trade payables	7,192	-	-	-	-	7,192
Long term borrowings	-	1,987	7,951	-	-	9,938
Bank overdraft, short-term loans and borrowings	20,896	-	-	-	-	20,896
Other liabilities	12,156	-	-	-	-	12,156
Derivative financial instruments – liabilities	52	-	-	-	-	52

c. Market risk

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

Foreign exchange risk

The Company's foreign exchange risk arises from its foreign operations, foreign currency revenues and expenses, (primarily in US dollars, Russian roubles, UK pounds sterling, and Euros) and foreign currency borrowings (in US dollars and Russian 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 revenues measured in Indian rupees may decrease. 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 both derivative and non derivative financial instruments, such as foreign exchange forward contracts, option contracts, currency swap contracts and foreign currency financial liabilities, 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 foreign exchange forward and option contracts are given in note 2.34 above.

In respect of the Company's forward contracts, option contracts and currency swap contracts, a 10% decrease/increase in the respective exchange rates of each of the currencies underlying such contracts would have resulted in:

- a ₹ 1,154/(710) increase/(decrease) in the Company's hedging reserve and a ₹ 1,707/(1,854) increase/(decrease) in the Company's net profit from such contracts, as at 31 March 2017;
- a ₹ 1,511/(424) increase/(decrease) in the Company's hedging reserve and a ₹ 1,193/(1,588) increase/(decrease) in the Company's net profit from such contracts, as at 31 March 2016.

The carrying value of the Company's foreign currency borrowings designated in a cash flow hedge as of 31 March 2017 was ₹ Nil. In respect of these borrowings, a 10% decrease/increase in the respective exchange rates of each of the currencies underlying such borrowings would have resulted in a ₹ 182 increase/decrease in the Company's hedging reserve as at 31 March 2016.

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

NOTES TO FINANCIAL STATEMENTS

2.35 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table analyzes foreign currency risk from non derivative financial instruments as at 31 March 2017:

(All figures in equivalent Indian Rupees millions)

PARTICULARS	US DOLLARS	EURO	RUSSIAN ROUBLES	OTHERS [1]	TOTAL
Assets					
Cash and cash equivalents	66	16	9	139	230
Trade receivables	32,837	875	6,158	2,363	42,233
Other assets	823	21	3	1,604	2,451
Total	**33,726**	**912**	**6,170**	**4,106**	**44,914**
Liabilities					
Trade payables	773	285	-	255	1,313
Long-term borrowings	4,852	-	-	-	4,852
Short-term borrowings	12,970	-	2,528	-	15,498
Other liabilities	2,236	263	2,005	91	4,595
Total	**20,831**	**548**	**4,533**	**346**	**26,258**

The following table analyzes foreign currency risk from non derivative financial instruments as at 31 March 2016:

(All figures in equivalent Indian Rupees millions)

PARTICULARS	US DOLLARS	EURO	RUSSIAN ROUBLES	OTHERS [1]	TOTAL
Assets					
Cash and cash equivalents	103	7	20	11	141
Trade receivables	27,220	925	4,324	1,362	33,831
Other assets	2,392	16	2	97	2,507
Total	**29,715**	**948**	**4,346**	**1,470**	**36,479**
Liabilities					
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	4,645	391	595	220	5,851
Total	**27,839**	**6,624**	**3,699**	**557**	**38,719**

[1] Others include currencies such as UK pounds sterling, Swiss francs and Venezuelan bolivars.

For the years ended 31 March 2017 and 31 March 2016, every 10% depreciation/appreciation in the exchange rate between the Indian rupee and the respective currencies for the above mentioned financial assets/liabilities would affect the Company's net profit by approximately ₹ 1,866 and ₹ 224, respectively.

Interest rate risk

As of 31 March 2017 and 31 March 2016, the Company had ₹ 18,061 of loans carrying a floating interest rate of LIBOR minus 30 bps to LIBOR plus 82.7 bps and ₹ 27,730 of foreign currency loans carrying a floating interest rate of LIBOR minus 5 to LIBOR plus 125 bps, respectively. 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.

For details of the Company's short-term and long-term loans and borrowings, including interest rate profiles, refer to note 2.8A and 2.8B of these financial statements.

For the years ended 31 March 2017 and 31 March 2016, every 10% increase or decrease in the floating interest rate component (i.e., LIBOR) applicable to its loans and borrowings would affect the Company's net profit by approximately ₹ 23 and ₹ 11, respectively.

The Company's investments in term deposits (i.e., certificates of deposit) 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. As of 31 March 2017, the Company had not entered into any material derivative contracts to hedge exposure to fluctuations in commodity prices.

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

NOTES TO FINANCIAL STATEMENTS

2.36 CONTINGENT LIABILITIES AND COMMITMENTS

A. Contingent liabilities (claims against the company not acknowledged as debts)

The Company is involved in 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. The more significant matters are discussed below. Most of the claims involve complex issues. Often, these issues are subject to uncertainties and therefore the probability of a loss, if any, being sustained and an estimate of the amount of any loss is difficult to ascertain. Consequently, for a majority of these claims, it is not possible to make a reasonable estimate of the expected financial effect, if any, that will result from ultimate resolution of the proceedings. This is due to a number of factors, including the stage of the proceedings (in many cases trial dates have not been set) and the overall length and extent of pre-trial discovery; the entitlement of the parties to an action to appeal a decision; clarity as to theories of liability; damages and governing law; uncertainties in timing of litigation; and the possible need for further legal proceedings to establish the appropriate amount of damages, if any. In these cases, the Company discloses information with respect to the nature and facts of the case. The Company also believes that disclosure of the amount sought by plaintiffs, if that is known, would not be meaningful with respect to those legal proceedings.

Although there can be no assurance regarding the outcome of any of the legal proceedings or investigations referred to in this note, the Company does not expect them to have a materially adverse effect on its financial position, as it believes that the likelihood of loss in excess of amounts accrued (if any) is not probable. However, if one or more of such proceedings were to result in judgments against the Company, such judgments could be material to its results of operations in a given period.

(i) Product and patent related matters

Matters relating to National Pharmaceutical Pricing Authority

Norfloxacin, India litigation

The Company manufactures and distributes Norfloxacin, a formulations product, and in limited quantities, the active pharmaceutical ingredient norfloxacin. Under the Drugs Prices Control Order (the "DPCO"), the National Pharmaceutical Pricing Authority (the "NPPA") established by the Government of India had the authority to designate a pharmaceutical product as a "specified product" and fix the maximum selling price for such product. In 1995, the NPPA issued a notification and designated Norfloxacin as a "specified product" and fixed the maximum selling price. In 1996, the Company filed a statutory Form III before the NPPA for the upward revision of the maximum selling price and a writ petition in the Andhra Pradesh High Court (the "High Court") challenging the validity of the designation on the grounds that the applicable rules of the DPCO were not complied with while fixing the maximum selling price. The High Court had previously granted an interim order in favor of the Company; however it subsequently dismissed the case in April 2004.

The Company filed a review petition in the High Court in April 2004 which was also dismissed by the High Court in October 2004. Subsequently, the Company appealed to the Supreme Court of India, New Delhi (the "Supreme Court") by filing a Special Leave Petition.

During the year ended 31 March 2006, the Company received a notice from the NPPA demanding the recovery of the price charged by the Company for sales of Norfloxacin in excess of the maximum selling price fixed by the NPPA, which was ₹ 285 including interest. The Company filed a writ petition in the High Court challenging this demand order. The High Court admitted the writ petition and granted an interim order, directing the Company to deposit 50% of the principal amount claimed by the NPPA, which was ₹ 77. The Company deposited this amount with the NPPA in November 2005. In February 2008, the High Court directed the Company to deposit an additional amount of ₹ 30, which was deposited by the Company in March 2008. In November 2010, the High Court allowed the Company's application to include additional legal grounds that the Company believed strengthened its defense against the demand. For example, the Company added as grounds that trade margins should not be included in the computation of amounts overcharged, and that it was necessary for the NPPA to set the active pharmaceutical ingredient price before the process of determining the ceiling on the formulation price. In October 2013, the Company filed an additional writ petition before the Supreme Court challenging the inclusion of Norfloxacin as a "specified product" under the DPCO. In January 2015, the NPPA filed a counter affidavit stating that the inclusion of Norfloxacin was based upon the recommendation of a committee consisting of experts in the field. On 20 July 2016, the Supreme Court remanded the matters concerning the inclusion of Norfloxacin as a "specified product" under the DPCO back to the High Court for further proceedings.

During the three months ended 30 September 2016, the Supreme Court dismissed the Special Leave Petition pertaining to the fixing of prices for Norfloxacin formulations.

During the three months ended 31 December 2016, a writ petition pertaining to Norfloxacin was filed by the Company with the Delhi High Court. Such writ petition is pending for admission.

Based on its best estimate, the Company has recorded a provision for potential liability for sale proceeds in excess of the notified selling prices, including the interest thereon, and believes that the likelihood of any further liability that may arise on account of penalties pursuant to this litigation is not probable.

NOTES TO FINANCIAL STATEMENTS

2.36 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Litigation relating to Cardiovascular and Anti-diabetic formulations

In July 2014, the NPPA, pursuant to guidelines issued in May 2014 and the powers granted by the Government of India under the Drugs (Price Control) Order, 2013, issued certain notifications regulating the prices for 108 formulations in the cardiovascular and anti-diabetic therapeutic areas. The Indian Pharmaceutical Alliance ("IPA"), in which the Company is a member, filed a writ petition in the Bombay High Court challenging the notifications issued by the NPPA on the grounds that they were ultra vires, ex facie and ab initio void. The Bombay High Court issued an order to stay the writ in July 2014. On 26 September 2016, the Bombay High Court dismissed the writ petition filed by the IPA and upheld the validity of the notifications/orders passed by the NPPA in July 2014. Further, on 25 October 2016, the IPA filed a Special Leave Petition with the Supreme Court, which was dismissed by the Supreme Court.

During the three months ended 31 December 2016, the NPPA issued show-cause notices relating to a few products of the Company for recovery of the allegedly overcharged amounts. The Company has responded to these notices.

On 20 March 2017, the IPA filed an application before the Bombay High Court for the recall of the judgement of the High Court dated 26 September 2016 on the grounds that certain information important for the determination of the issue was not disclosed by the counsel representing the Union of India during the proceedings before the Bombay High Court.

On 26 April 2017, the Bombay High Court heard the recall application and directed the matter to the same bench of judges of the Bombay High Court which passed the original judgement on 26 September 2016. Further, it also directed the Union of India and others to file their reply.

During the three months ended 31 March 2017, the NPPA issued demand notices to the Company relating to the foregoing products for the allegedly overcharged amounts, along with interest. The Company has responded to these notices.

Based on its best estimate, the Company has recorded a provision of ₹ 374 under "other selling expenses" as a potential liability for sale proceeds in excess of the notified selling prices, including the interest thereon, and believes that the likelihood of any further liability that may arise on account of penalties pursuant to this litigation is not probable.

In the event the Government of India pursues litigation against the Company on the aforementioned NPPA matters for the excess sales proceeds and the Company is unsuccessful in such litigation, it will be required to remit the sale proceeds in excess of the notified selling prices to the Government of India with interest and could potentially include penalties, which amounts are not readily ascertainable.

(ii) Environmental matters

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 Bollarum 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, Bollarum 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 likelihood 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.

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 (the "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.

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

NOTES TO FINANCIAL STATEMENTS

2.36 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

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.

(iii) Indirect taxes related matters

Distribution of input service tax credits

The Central Excise Authorities have issued various demand 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 such demand notice, the amount demanded and the current status of the Company's responsive actions.

PERIOD COVERED UNDER THE NOTICE	AMOUNT DEMANDED	STATUS
March 2008 to September 2009	₹ 102 plus penalties of ₹ 102 and interest	The Company has filed an appeal before the CESTAT.
October 2009 to March 2011	₹125 plus penalties of ₹ 100 and interest	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 the in process of submitting an appeal before the CESTAT.

The Company believes that the likelihood 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 these financial statements as of 31 March 2017.

Value Added Tax ("VAT") matter

The Company has received various demand 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 demand notice, the amount demanded and the current status of the Company's responsive actions.

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 favor of the Company.

The Company has recorded a provision of ₹ 27 as of 31 March 2017, and believes that the likelihood 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 demand notices from the Indian Sales and Service Tax authorities. The disputed amount is ₹ 174. The Company has responded to such notices and believes that the chances of any liability arising from such notices are less than probable. Accordingly, no provision is made in these financial statements as of 31 March 2017.

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

NOTES TO FINANCIAL STATEMENTS

2.36 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

(iv) Fuel Surcharge Adjustments

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 ₹ 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 2017, 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.

During the three months ended 30 June 2016, the Supreme Court of India dismissed the Special Leave Petition filed by the Company in this regard for the period from 1 April 2012 to 31 March 2013. As a result, the Company recognised an expenditure of ₹ 55 (by de-recognising the payments under protest) representing the FSA charges for the period from 1 April 2012 to 31 March 2013.

(v) 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 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 accordingly filed an appeal with the Income Tax Appellate Authorities. On 28 April 2017, the Income Tax Appellate Tribunal of Hyderabad issued a judgment in favor of the Company confirming the Company's position.

Additionally, the Company is contesting various other disallowances by the Indian Income Tax authorities. The associated tax impact is ₹ 1,555. The Company believes that the chances of an unfavorable outcome in each of such disallowances are less than probable and, accordingly, no provision is made in these financial statements as of 31 March 2017.

(vi) Others

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

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
Estimated amounts of contracts remaining to be executed on capital account and not provided for (net of advances)	5,040	4,872	4,019

2.37 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 inturn remits the dividends to the ADR holders.

2.38 SEGMENT REPORTING

In accordance with Ind AS 108 "Operating Segments", 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.

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

NOTES TO FINANCIAL STATEMENTS

2.39 RESEARCH AND DEVELOPMENT PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES (INCLUDED IN NOTE 2.1 AND NOTE 2.2)

PARTICULARS	GROSS CARRYING VALUE				ACCUMULATED DEPRECIATION/AMORTISATION				NET CARRYING VALUE	
	AS AT 1 APRIL 2016	ADDITIONS (a)	DISPOSALS (b)	AS AT 31 MARCH 2017	AS AT 1APRIL 2016	FOR THE YEAR (a)	DISPOSALS (b)	AS AT 31 MARCH 2017	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
Property, plant and equipment										
Land	70	-	-	70	-	-	-	-	70	70
Buildings	937	93	-	1,030	279	37	-	316	714	658
Plant and machinery	4,698	864	88	5,474	2,664	506	77	3,093	2,381	2,034
Furniture and fixtures	196	17	1	212	147	14	1	160	52	49
Office equipment	354	67	14	407	241	73	14	300	107	113
Total (A)	6,255	1,041	103	7,193	3,331	630	92	3,869	3,324	2,924
Intangible assets										
Softwares	146	59	14	191	49	45	-	94	97	97
Others	102	-	-	102	16	25	-	41	61	86
Total (B)	248	59	14	293	65	70	-	135	158	183
Total (A+B)	6,503	1,100	117	7,486	3,396	700	92	4,004	3,482	3,107
Previous year	5,542	1,405	444	6,503	3,215	611	430	3,396	3,107	

(a) Includes gross carrying value of ₹ 10 (31 March 2016: ₹ 17) and accumulated depreciation of ₹ 9 (31 March 2016: ₹ 11) towards transfers from non research and development to research and development property, plant and equipment during the year.

(b) Includes gross carrying value of ₹ 55 (31 March 2016: ₹ 32) and accumulated depreciation of ₹ 31 (31 March 2016: ₹ 23) towards transfers from research and development to non research and development property, plant and equipment during the year.

2.40 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 current Good Manufacturing Practice ("cGMP") deviations at its active pharmaceutical ingredient ("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. The contents of the warning letter emanated from Form 483 observations that followed 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. During the years ended 31 March 2016 and 31 March 2017, U.S. FDA withheld approval of new products fro, these facilities pending resolution of the issues identified in the warning letter. To minimise the business impact, the Company transferred certain key products to alternate manufacturing facilities.

Subsequent to the issuance of the warning letter, the Company promptly instituted corrective actions and preventive actions and submitted a comprehensive response to the warning letter to the U.S. FDA, followed by periodic written updates and in-person meetings with the U.S. FDA. The U.S. FDA completed the re-inspection of the aforementioned manufacturing facilities in the months of March and April 2017. During the re-inspections, the U.S. FDA issued three observations with respect to the API manufacturing facility at Miryalaguda, two observations with respect to the API manufacturing facility at Srikakulam and thirteen observations with respect to the Oncology formulation manufacturing facility. The Company has responded to these observations identified by the U.S. FDA, and believes that it can resolve them satisfactorily in a timely manner.

2.41 AGREEMENT WITH GLAND PHARMA LIMITED

On 29 November 2016, the Company entered into an agreement with Gland Pharma Limited ("Gland") to license, market and distribute eight injectable ANDAs. Pursuant to the arrangement, the Company will pay Gland U.S.$6.8 million as consideration for in-licensing the aforesaid eight ANDAs upon completion of certain milestones by Gland.

The carrying value of the intangible as on 31 March 2017 was ₹ 212.

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

NOTES TO FINANCIAL STATEMENTS

2.42 ACQUISITION OF SELECT PRODUCTS 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 included 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, payable in cash. The acquisition was closed on 16 June 2015. The Company has accounted for the transaction under Ind AS 103, "Business Combinations," and allocated the aggregate purchase consideration as follows:

PARTICULARS	AMOUNT
Total consideration	8,000
Identifiable assets acquired	
Property, plant and equipment	6
Other intangible assets:	
Product related intangibles	6,734
Marketing rights	743
Current assets, net of current liabilities assumed	194
Total identifiable net assets	**7,677**
Goodwill	**323**

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. The entire amount of goodwill is deductible for tax purposes.

Out of the total purchase consideration of ₹ 8,000, the Company has paid ₹ 7,936 to UCB as of 31 March 2017.

2.43 CAPITAL MANAGEMENT

For the purposes of the Company's capital management, capital includes issued capital and all other equity reserves. The primary objective of the Company's capital management is to maximise shareholder value. The Company manages it's capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants. The Company monitors capital using gearing ratio, which is total debt divided by total capital plus debt.

The capital gearing ratio as on 31 March 2017 and 31 March 2016 was 17% and 20%, respectively.

2.44 AUDIT OF FINANCIAL STATEMENTS

The figures for the year ended 31 March 2016 were audited by previous statutory auditors.

2.45 SUBSEQUENT EVENTS

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

2.46 RECENT ACCOUNTING PRONOUNCEMENTS

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

Amendment to Ind AS 7, Statement of Cash flows

The amendment to Ind AS 7 requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement. The Company is in the process of evaluating the impact of the aforementioned requirement on the financial statements of the Company.

Amendment to Ind AS 102, Share-based payment

The amendment to Ind AS 102 provides specific guidance to measurement of cash-settled awards, modification of cash-settled awards and awards that include a net settlement feature in respect of withholding taxes.

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

NOTES TO FINANCIAL STATEMENTS

2.46 RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

It clarifies that the fair value of cash-settled awards is determined on a basis consistent with that used for equity settled awards. Market-based performance conditions and non-vesting conditions are reflected in the 'fair values', but non-market performance conditions and service vesting conditions are reflected in the estimate of the number of awards expected to vest. Also, the amendment clarifies that if the terms and conditions of a cash-settled share-based payment transaction are modified with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as such from the date of the modification.

Further, the amendment requires the award that includes a net settlement feature in respect of withholding taxes to be treated as equity-settled in its entirety. The cash payment to the tax authority is treated as if it was part of an equity settlement.

The Company is in the process of evaluating the impact of the aforementioned requirement on the financial statements of the Company.

As per our report of even date attached
for S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W/E300004

per Kaustav Ghose
Partner
Membership No. : 57828
Place : Hyderabad
Date : 12 May 2017

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

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the members of Dr. Reddy's Laboratories Limited

Report on the Consolidated Ind AS Financial Statements

We have audited the accompanying consolidated Ind AS financial statements of Dr. Reddy's Laboratories Limited (hereinafter referred to as "the Holding Company"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and joint ventures, comprising of the Consolidated Balance Sheet as at 31 March 2017, the Consolidated Statement of Profit and Loss including Other Comprehensive Income, the Consolidated Statement of Cash Flow, the Consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS 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 Ind AS financial statements in terms of the requirement of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group including its joint ventures in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standard) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group and of its joint ventures are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and of its joint ventures 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 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 Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS 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 thereunder.

We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as 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 disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 Ind AS 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 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 sub-paragraph (a) of the "Other Matters" paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries and joint ventures, the aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group and joint ventures as at 31 March 2017, their consolidated profit including other comprehensive income, their consolidated cash flows and consolidated statement of changes in equity for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by section 143 (3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiaries, and joint ventures, as noted in the 'Other Matters' paragraph we report, to the extent applicable, that:

(a) We / the other auditors whose reports we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated Ind AS financial statements;

INDEPENDENT AUDITORS' REPORT (CONTINUED)

(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 reports of the other auditors;

(c) The Consolidated Balance Sheet, Consolidated Statement of Profit and Loss including Other Comprehensive Income, the Consolidated Statement of Cash Flow and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;

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

(e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2017 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary companies and joint ventures incorporated in India, none of the directors of the Group companies and joint ventures incorporated in India is disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting of the Holding Company and its subsidiary companies, and joint ventures incorporated in India, refer to our separate report in "Annexure 1" to this report;

(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 and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries and joint ventures, as noted in the 'Other Matters' paragraph:

   i. The consolidated Ind AS financial statements disclose the impact of pending litigations on its consolidated financial position of the Group and joint ventures – Refer note 2.35 to the consolidated Ind AS financial statements;

   ii. Provision has been made in the consolidated Ind AS financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;

   iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, its subsidiaries, and joint ventures incorporated in India during the year ended 31 March 2017.

   iv. The Holding Company, subsidiaries, and joint ventures incorporated in India, have provided requisite disclosures in note 2.25 to these consolidated Ind AS financial statements as to the holding of Specified Bank Notes on 8 November 2016 and 30 December 2016 as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016. Based on our audit procedures and relying on the management representation of the Holding Company regarding the holding and nature of cash transactions, including Specified Bank Notes, we report that these disclosures are in accordance with the books of accounts maintained by the Group including its joint ventures as produced to us by the Management of the Holding Company.

Other Matters

(a) We did not audit the financial statements and other financial information, in respect of two subsidiaries, whose Ind AS financial statements include total assets of ₹ 82,003 million and net assets of ₹ 39,458 million as at 31 March 2017, and total revenues of ₹ 29,066 million and net cash inflows of ₹ 876 million for the year ended on that date. The above financial information are before giving effect to any consolidation adjustments. These financial statements and other financial information have been audited by other auditors, which financial statements, other financial information and auditors' reports have been furnished to us by the management. Our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries is based solely on the reports of such other auditors.

   Certain of these subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Company's management has converted the financial statements of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Company and audited by us.

(b) The comparative financial information of the Group and joint ventures for the year ended 31 March 2016 and the transition date opening balance sheet as at 1 April 2015 prepared in accordance with Ind AS, included in these consolidated Ind AS financial statements, have been audited by the predecessor auditor who had audited the consolidated financial statements for the relevant periods. The report of the predecessor auditor on the comparative financial information and the opening consolidated balance sheet dated 12 May 2017 expressed an unmodified opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Our opinion above on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements above, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements and other financial information certified by the Management.

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

per Kaustav Ghose
Partner
Membership Number : 57828

Place : Hyderabad
Date : 12 May 2017

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE

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 Dr. Reddy's Laboratories Limited as of and for the year ended 31 March 2017, we have audited the internal financial controls over financial reporting of Dr. Reddy's Laboratories Limited (hereinafter referred to as the "Holding Company"), its subsidiary companies, and joint ventures which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company, its subsidiary companies, and joint ventures, 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 Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective 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 as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting 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' 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 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 internal financial controls system over financial reporting.

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE (CONTINUED)

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Holding Company, its subsidiary companies, and joint ventures, which are companies incorporated in India, have, maintained 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 2017, based on the internal control over financial reporting criteria established by the Holding 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.

Other Matters

Our report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting of the Holding Company, insofar as it relates to these seven subsidiary companies, and two joint venture companies, which are companies incorporated in India, is based on the corresponding reports of the auditors of such subsidiary companies, and joint venture companies incorporated in India.

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

per Kaustav Ghose
Partner
Membership Number : 57828

Place : Hyderabad
Date : 12 May 2017

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

CONSOLIDATED BALANCE SHEET

PARTICULARS	NOTE	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
ASSETS				
Non current assets				
Property, plant and equipment	2.1	50,281	46,130	41,665
Capital work-in-progress		6,095	6,626	5,280
Goodwill	2.2	4,763	4,650	4,319
Other intangible assets	2.2	14,263	14,850	7,598
Intangible assets under development	2.3	27,150	1,096	203
Investment in joint ventures		1,603	1,311	1,034
Financial assets				
Investments	2.4 A	5,223	1,986	2,806
Trade receivables	2.4 B	210	-	-
Other financial assets	2.4 C	829	788	622
Deferred tax assets (net)	2.29	6,784	5,905	6,102
Other non current assets	2.5 A	4,127	2,559	2,925
		121,328	**85,901**	**72,554**
Current assets				
Inventories	2.6	28,528	25,579	25,529
Financial assets				
Investments	2.4 A	14,271	35,034	34,259
Trade receivables	2.4 B	37,986	41,250	40,698
Derivative instruments	2.4 D	264	176	979
Cash and cash equivalents	2.4 E	3,865	4,921	5,395
Other financial assets	2.4 C	1,432	1,332	727
Other current assets	2.5 B	10,491	9,648	10,509
		96,837	**117,940**	**118,096**
Total assets		**218,165**	**203,841**	**190,650**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	2.7	829	853	852
Other equity		121,792	124,845	107,482
		122,621	**125,698**	**108,334**
Non current liabilities				
Financial Liabilities				
Borrowings	2.8 A	5,449	10,685	14,307
Other financial liabilities	2.8 C	183	243	159
Long term provisions	2.9 A	842	947	779
Deferred tax liabilities (net)	2.29	1,620	537	791
Other non current liabilities	2.10 A	3,251	2,260	2,546
		11,345	**14,672**	**18,582**
Current liabilities				
Financial Liabilities				
Borrowings	2.8 B	43,626	22,718	21,857
Trade payables	2.8 D	10,569	9,068	8,493
Other financial liabilities	2.8 C	18,750	20,502	21,974
Liabilities for current tax (net)		1,482	2,304	2,801
Provisions	2.9 B	5,125	5,290	4,537
Other current liabilities	2.10 B	4,647	3,589	4,072
		84,199	**63,471**	**63,734**
Total equity and liabilities		**218,165**	**203,841**	**190,650**

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date attached
for S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W/E300004
per Kaustav Ghose
Partner
Membership No. : 57828
Place : Hyderabad
Date : 12 May 2017

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 STATEMENT OF PROFIT AND LOSS

PARTICULARS	NOTE	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
INCOME			
Sales (inclusive of excise duty)		138,663	152,475
License fees and service income		2,146	2,233
Other operating income	2.11	1,152	975
Total revenue from operations		141,961	155,683
Other income	2.12	1,715	2,950
Total income		143,676	158,633
EXPENSES			
Cost of materials consumed		21,930	26,799
Purchase of traded goods		13,752	11,743
Increase in inventories of finished goods, work-in- progress and stock-in-trade	2.13	(1,233)	(957)
Conversion charges		2,516	2,423
Employee benefits expense	2.14	31,068	31,174
Depreciation and amortisation expense	2.15	10,266	9,389
Finance costs	2.16	634	826
Other expenses	2.17	49,206	48,648
Total expenses		128,139	130,045
Profit before tax		15,537	28,588
Tax expense	2.29		
Current tax		3,096	7,432
Deferred tax		(131)	79
Net profit for the year		12,572	21,077
Share of profit of equity accounted investees, net of tax		349	229
Profit for the year		**12,921**	**21,306**
Other comprehensive income (OCI)			
Items that will not be reclassified subsequently to profit or loss		1,930	(1,024)
Income tax on items that will not be reclassified subsequently to profit or loss		(404)	255
		1,526	(769)
Items that will be reclassified subsequently to profit or loss		1,279	493
Income tax on items that will be reclassified subsequently to profit or loss		136	(94)
		1,415	399
Total other comprehensive income/(loss) for the year, net of tax		2,941	(370)
Total comprehensive income for the year		**15,862**	**20,936**
Profit for the year			
Attributable to:			
Equity holders of the parent		12,921	21,306
Non-controlling interests		-	-
Total comprehensive income for the year			
Attributable to:			
Equity holders of the parent		15,862	20,936
Non-controlling interests		-	-
Earnings per share:	2.21		
Basic earnings per share of ₹ 5/- each		77.53	124.93
Diluted earnings per share of ₹ 5/- each		77.37	124.54

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date attached
for S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W/E300004
per Kaustav Ghose
Partner
Membership No. : 57828
Place : Hyderabad
Date : 12 May 2017

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 STATEMENT OF CHANGES IN EQUITY

Particulars	Equity share capital	Other components of equity										Total equity
		Reserves and surplus						Other comprehensive income				
		Securities premium	Share-based payment reserve	Capital reserve	Capital redemption reserve	General reserve	Retained earnings	Cash flow hedge reserve	Equity instruments through OCI	Actuarial gains / (losses)	Foreign currency translation reserve	
Balance as at 1 April 2015	852	19,591	894	267	148	17,340	67,074	(1,768)	-	-	3,936	**108,334**
Issue of equity shares on exercise of options (Refer note 2.7)	1	430	(430)	-	-	-	-	-	-	-	-	1
Share-based payment expense (Refer note 2.27)	-	-	442	-	-	-	-	-	-	-	-	442
Foreign currency translation adjustments, net of tax expense of ₹ 57	-	-	-	-	-	-	-	-	-	-	(459)	(459)
Effective portion of changes in fair value of cash flow hedges, net of tax expense of ₹ 37 (Refer note 2.33)	-	-	-	-	-	-	-	949	-	-	-	949
Actuarial gain/(loss) on post-employment benefit obligations, net of tax benefit of ₹ 64 (Refer note 2.28)	-	-	-	-	-	-	-	-	-	(122)	-	(122)
Profit for the year	-	-	-	-	-	-	21,306	-	-	-	-	21,306
Transfer to general reserve	-	-	-	-	-	1,679	(1,679)	-	-	-	-	-
Dividend paid (including dividend distribution tax)	-	-	-	-	-	-	(4,106)	-	-	-	-	(4,106)
Net change in fair value of FVTOCI investments, net of tax benefit of ₹ 191	-	-	-	-	-	-	-	-	(647)	-	-	(647)
Balance as at 31 March 2016	853	20,021	906	267	148	19,019	82,595	(819)	(647)	(122)	3,477	**125,698**
Issue of equity shares on exercise of options (Refer note 2.7)	1	452	(452)	-	-	-	-	-	-	-	-	1
Buy back of equity shares (Refer note 2.50)	(25)	(15,669)	-	-	-	-	-	-	-	-	-	(15,694)
Share-based payment expense (Refer note 2.27)	-	-	350	-	-	-	-	-	-	-	-	350
Foreign currency translation adjustments, net of tax benefit of ₹ 177	-	-	-	-	-	-	-	-	-	-	306	306
Effective portion of changes in fair value of cash flow hedges, net of tax expense of ₹ 41 (Refer note 2.33)	-	-	-	-	-	-	-	903	-	-	-	903
Actuarial gain/(loss) on post-employment benefit obligations, net of tax benefit of ₹ 14 (Refer note 2.28)	-	-	-	-	-	-	-	-	-	(24)	-	(24)
Transfer to capital redemption reserve	-	(25)	-	-	25	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	12,921	-	-	-	-	12,921
Transfer to general reserve	-	-	-	-	-	1,355	(1,355)	-	-	-	-	-
Dividend paid (including dividend distribution tax)	-	-	-	-	-	-	(3,390)	-	-	-	-	(3,390)
Equity instrument through OCI, net of tax benefit of ₹ 418	-	-	-	-	-	-	-	-	1,550	-	-	1,550
Balance as at 31 March 2017	829	4,779	804	267	173	20,374	90,771	84	903	(146)	3,783	**122,621**

The accompanying notes are an integral part of the consolidated financial statements

As per our report of even date attached
for S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W/E300004
per Kaustav Ghose
Partner
Membership No. : 57828
Place : Hyderabad
Date : 12 May 2017

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 STATEMENT OF CASH FLOWS

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Cash flows from/(used in) operating activities		
Profit before tax	15,537	28,588
Adjustments:		
Depreciation and amortisation expense	10,266	9,389
Impairment of property, plant and equipment	335	94
Impairment of intangible assets	110	161
Share-based payment expense	398	471
Fair value gain on financial instruments at fair value through profit or loss	(700)	(801)
Net foreign exchange differences	428	(3,096)
Loss on disposal of property, plant and equipment	80	112
Finance income	(558)	(1,398)
Finance costs	634	826
Profit on sale of mutual funds, net	(497)	(800)
Dividend from mutual fund units	-	(53)
Allowance for sales returns	3,177	3,272
Provision for inventory obsolescence	3,085	2,746
Allowances for credit losses, net	158	137
Allowances for doubtful advances, net	11	17
Changes in operating assets and liabilities:		
Trade receivables	3,036	833
Inventories	(6,324)	(2,522)
Trade payables	1,799	781
Other assets and liabilities, net	(3,761)	883
Cash generated from operations	27,214	39,640
Income tax paid, net	(5,770)	(7,014)
Net cash from operating activities	**21,444**	**32,626**
Cash flows from/(used in) investing activities		
Proceeds from sale of property, plant and equipment	44	84
Purchase of property, plant and equipment	(12,225)	(12,060)
Purchase of intangible assets	(28,706)	(2,756)
Purchase of investments	(49,723)	(68,279)
Proceeds from sale of investments	71,595	69,270
Finance income received	628	1,230
Cash paid for acquisition of business, net of cash acquired	(17)	(7,936)
Dividend from mutual fund units	-	53
Net cash used in investing activities	**(18,404)**	**(20,394)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS(CONTINUED)

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Cash flows from/(used in) financing activities		
Proceeds from exercise of share options	1	1
Buyback of equity shares	(15,694)	-
Repayment from short-term loans and borrowings, net	(32,883)	(31,537)
Proceeds from short-term loans and borrowings	54,418	31,264
Repayment of long-term borrowings	(5,221)	(11,707)
Interest paid	(923)	(916)
Dividends paid to equity holders of the parent	(3,390)	(4,106)
Net cash used in financing activities	**(3,692)**	**(17,001)**
Net decrease in cash and cash equivalents	(651)	(4,769)
Effect of exchange rate changes on cash and cash equivalents	(492)	4,295
Cash and cash equivalents at the beginning of the year (Refer note 2.4 E)	4,921	5,395
Cash and cash equivalents at the end of the year (Refer note 2.4 E)	**3,778**	**4,921**
The accompanying notes are an integral part of the consolidated financial statements.		

As per our report of even date attached
for S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W/E300004
per Kaustav Ghose
Partner
Membership No. : 57828
Place : Hyderabad
Date : 12 May 2017

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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 DESCRIPTION OF THE GROUP AND SIGNIFICANT ACCOUNTING POLICIES

1.1 Description of the Group

Dr. Reddy's Laboratories Limited ("Dr. Reddy's" 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.

Please refer note 2.26 for list of subsidiaries, step-down subsidiaries and joint ventures of the parent company.

1.2 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016. For all periods up to and including the year ended 31 March 2016, the Group prepared its financial statements in accordance with accounting standards notified under Section 133 of the Companies Act 2013, read with Rule 7 of Companies (Accounts) Rules, 2014. These financial statements for the year ended 31 March 2017 are the first the Group has prepared in accordance with Ind AS.

Refer note 2.19 for information on how the Group adopted Ind AS.

These consolidated financial statements have been prepared on the historical cost convention and on an accrual basis, except for the following material items in the balance sheet:

- derivative financial instruments are measured at fair value;
- certain financial assets are measured either at fair value or at amortised cost depending on the classification;
- employee defined benefit assets/(liability) are recognised as the net total of the fair value of plan assets, plus actuarial losses, less actuarial gains and the present value of the defined benefit obligation;
- long-term borrowings, except obligations under finance leases, are measured at amortized cost using the effective interest rate method; and
- investments in joint ventures which are accounted for using the equity method.

1.3 Use of estimates and judgments

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

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

- Note 1.4 (b) – Evaluation of joint arrangements;
- Note 1.4 (a) – Assessment of functional currency;
- Note 1.4 (r) – Financial instruments;
- Note 1.4 (c) – Business combinations;
- Notes 1.4 (k) and 1.4(l) – Useful lives of property, plant and equipment and intangible assets;
- Note 1.4 (n) – Valuation of inventories;
- Note 1.4 (o) – Measurement of recoverable amounts of cash-generating units;
- Note 1.4 (p) – Assets and obligations relating to employee benefits;
- Note 1.4 (p) – Share based payments;
- Note 1.4 (q) – Provisions and other accruals;
- Note 1.4 (f) – Sales returns, rebates and charge back provisions;

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Note 1.4 (i) – Evaluation of recoverability of deferred tax assets; and
- Note 1.4 (q) – Contingencies

1.4 Significant accounting policies

a) Functional currency

These consolidated financial statements are presented in Indian rupees, which is the functional currency of the parent company. All financial information presented in Indian rupees has been rounded to the nearest million.

In respect of all non-Indian subsidiaries that operate as marketing arms of the parent company in their respective countries/regions, the functional currency has been determined to be the functional currency of the parent company (i.e., the Indian rupee). The operations of these subsidiaries are largely restricted to the import of finished goods from the parent company in India, sale of these products in the foreign country and making of import payments to the parent company. The cash flows realized from sale of goods are available for making import payments to the parent company and cash is paid to the parent company on a regular basis. The costs incurred by these subsidiaries are primarily the cost of goods imported from the parent company. The financing of these subsidiaries is done directly or indirectly by the parent company.

In respect of subsidiaries whose operations are self-contained and integrated within their respective countries/regions, the functional currency has been determined to be the local currency of those countries/regions.

b) Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) that are controlled by the Company. Control exists when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity. In assessing control, potential voting rights are considered only if the rights are substantive. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases. For the purpose of preparing these consolidated financial statements, the accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Company.

Joint arrangements (equity accounted investees)

Joint arrangements are those arrangements over which the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Associates are those entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entities but is not control or joint control of those policies. Significant influence is generally presumed to exist when the Company holds between 20% and 50% of the voting power of another entity.

Investments in associates and joint ventures are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The carrying value of the Company's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The Company does not consolidate entities where the non-controlling interest ("NCI") holders have certain significant participating rights that provide for effective involvement in significant decisions in the ordinary course of business of such entities. Investments in such entities are accounted by the equity method of accounting. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

For the purpose of preparing these consolidated financial statements, the accounting policies of joint ventures have been changed where necessary to align them with the policies adopted by the Company.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in full while preparing these consolidated financial statements. Unrealized gains or losses arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Acquisition of non-controlling interests

Acquisition of some or all of the NCI is accounted for as a transaction with equity holders in their capacity as equity holders. Consequently, the difference arising between the fair value of the purchase consideration paid and the carrying value of the NCI is recorded as an adjustment to retained earnings that is attributable to the parent company. The associated cash flows are classified as financing activities. No goodwill is recognised as a result of such transactions.

Loss of Control

Upon loss of control, the Company derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the consolidated statement of profit and loss. If the Company retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a FVTOCI or FVTPL financial asset, depending on the level of influence retained.

c) Business combinations and goodwill

In accordance with Ind AS 101 provisions related to first time adoption, the Group has elected to apply Ind AS accounting for business combinations prospectively from transition date i.e., 1 April 2015. As such, Indian GAAP balances relating to business combinations entered into before that date, including goodwill, have been carried forward.

The Company uses the acquisition method of accounting to account for business combinations. The acquisition date is the date on which control is transferred to the acquirer. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another. Control exists when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity. In assessing control, potential voting rights are considered only if the rights are substantive. The Company measures goodwill as of the applicable acquisition date at the fair value of the consideration transferred, including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount of the identifiable assets acquired and liabilities assumed. When the fair value of the net identifiable assets acquired and liabilities assumed exceeds the consideration transferred, the excess is recognised in equity as capital reserve. Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Company to the previous owners of the acquiree, and equity interests issued by the Company. Consideration transferred also includes the fair value of any contingent consideration. Consideration transferred does not include amounts related to the settlement of pre-existing relationships. Any goodwill that arises on account of such business combination is tested annually for impairment.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and the settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recorded in the consolidated statement of profit and loss.

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably. On an acquisition-by-acquisition basis, the Company recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Transaction costs that the Company incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees and other professional and consulting fees, are expensed as incurred.

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders. The difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity.

d) 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

e) Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of entities within the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in the consolidated statement of profit and loss in the period in which they arise.

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

Foreign operations

Foreign exchange gains and losses arising from a monetary item receivable from a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of the net investment in the foreign operation and are recognised in other comprehensive income/(loss) and presented within equity as a part of foreign currency translation reserve ("FCTR").

In case of foreign operations whose functional currency is different from the parent company's functional currency, the assets and liabilities of such foreign operations, including goodwill and fair value adjustments arising upon acquisition, are translated to the presentation currency at exchange rates at the reporting date. The income and expenses of such foreign operations are translated to the presentation currency at the monthly average exchange rates prevailing during the year. Resulting foreign currency differences are recognised in other comprehensive income/(loss) and presented within equity as part of FCTR. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to the consolidated statement of profit and loss.

f) Revenue

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue from the sale of goods includes excise duty and is measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Revenue from sales of generic products in India is recognised upon delivery of products to distributors by clearing and forwarding agents of the Company. Significant risks and rewards in respect of ownership of generic products are transferred by the Company when the goods are delivered to distributors from clearing and forwarding agents. Clearing and forwarding agents are generally compensated on a commission basis as a percentage of sales made by them. Revenue from sales of active pharmaceutical ingredients and intermediates in India is recognised on delivery of products to customers (generally formulation manufacturers), from the factories of the Company.

Revenue from export sales and other sales outside of India is recognised when the significant risks and rewards of ownership of products are transferred to the customers, which occurs upon delivery of the products to the customers unless the terms of the applicable contract provide for specific revenue generating activities to be completed, in which case revenue is recognised once all such activities are completed.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Profit share revenues

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

Revenue in an amount equal to the base purchase price is recognised in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognised as revenue in the period which corresponds to the ultimate sales of the products made by business partners only when the collectability of the profit share becomes probable and a reliable measurement of the profit share is available. Otherwise, recognition is deferred to a subsequent period pending satisfaction of such collectability and measurability requirements. In measuring the amount of profit share revenue to be recognised for each period, the Company uses all available information and evidence, including any confirmations from the business partner of the profit share amount owed to the Company, to the extent made available before the date the Company's Board of Directors authorises the issuance of its financial statements for the applicable period.

Milestone payments and out licensing arrangements

Revenues include amounts derived from product out-licensing agreements. These arrangements typically consist of an initial up-front payment on inception of the license and subsequent payments dependent on achieving certain milestones in accordance with the terms prescribed in the agreement. Non-refundable up-front license fees received in connection with product out-licensing agreements are deferred and recognised over the period in which the Company has continuing performance obligations. Milestone payments which are contingent on achieving certain clinical milestones are recognised as revenues either on achievement of such milestones, if the milestones are considered substantive, or over the period the Company has continuing performance obligations, if the milestones are not considered substantive. If milestone payments are creditable against future royalty payments, the milestones are deferred and released over the period in which the royalties are anticipated to be paid.

Provision for chargeback, rebates and discounts

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

Shelf stock adjustments

Shelf stock adjustments are credits issued to customers to reflect decreases in the selling price of products sold by the Company, and are accrued when the prices of certain products decline as a result of increased competition upon the expiration of limited competition or exclusivity periods. These credits are customary in the pharmaceutical industry, and are intended to reduce the customer inventory cost to better reflect the current market prices. The determination to grant a shelf stock adjustment to a customer is based on the terms of the applicable contract, which may or may not specifically limit the age of the stock on which a credit would be offered.

Sales Returns

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

Services

Revenue from services rendered, which primarily relate to contract research, is recognised in the consolidated 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.

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

NOTES TO THE CONSOLIDATED 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 recognised in the period in which the Company completes all its performance obligations.

g) Interest income and dividend

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

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

h) Government grants

The Company recognizes government grants only when there is reasonable assurance that the conditions attached to them will be complied with, and the grants will be received. Government grants received in relation to assets are presented in the balance sheet by setting up the grant as deferred income. Grants related to income are deducted in reporting the related expense in the consolidated statement of profit and loss.

Export entitlements from government authorities are recognised in the consolidated statement of profit and loss as a reduction from "Cost of materials consumed" when the right to receive credit as per the terms of the scheme is established in respect of the exports made by the Company, and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

i) Income tax

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

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

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

The Company recognises deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that both of the following conditions are satisfied:

a. When the Company is able to control the timing of the reversal of the temporary difference; and

b. it is probable that the temporary difference will not reverse in the foreseeable future.

Any deferred tax asset or liability arising from deductible or taxable temporary differences in respect of unrealized inter-company profit or loss on inventories held by the Company in different tax jurisdictions is recognised using the tax rate of the jurisdiction in which such inventories are held. Dividend distribution tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the Company and all such taxes are recognised in the statement of changes in equity as part of the associated dividend payment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

j) Earnings per share

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

k) Property, plant and equipment

Recognition and measurement

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

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

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

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

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

Depreciation

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

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

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

The estimated useful lives are as follows:

	Years
Buildings	
- Factory and administrative buildings	20 to 50
- Ancillary structures	3 to 15
Plant and equipment	3 to 15
Furniture, fixtures and office equipment	4 to 10
Vehicles	4 to 5
Computer equipment	3 to 5

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

l) Goodwill and other intangible assets

Goodwill

Goodwill represents the excess of consideration transferred, together with the amount of non-controlling interest in the acquiree, over the fair value of the Company's share of identifiable net assets acquired.

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying value of the equity accounted investee.

Other intangible assets

Other intangible assets that are acquired by the Company and that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditures are capitalised only when they increase the future economic benefits embodied in the specific asset to which they relate.

Research and development

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

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

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

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

Payments to third parties that generally take the form of up-front payments and milestones for in-licensed products, compounds and intellectual property are capitalised. The Company's criteria for capitalisation of such assets are consistent with the guidance given in paragraph 25 of Ind AS 38 (i.e., receipt of economic benefits out of the separately purchased transaction is considered to be probable).

Acquired research and development intangible assets that are under development are recognised as intangibles assets under development. These assets are not amortized, but evaluated for potential impairment on an annual basis or when there are indications that the carrying value may not be recoverable. Any impairment charge on such assets is recorded as expenses in the consolidated statement of profit and loss.

Subsequent expenditure on an in-process research or development project acquired separately or in a business combination and recognised as an intangible asset is:

- recognised as an expense when incurred, if it is research expenditure;
- recognised as an expense when incurred, if it is development expenditure that does not satisfy the criteria for recognition as an intangible asset; and
- added to the carrying amount of the acquired in-process research or development project, if it is development expenditure that satisfies the recognition criteria

Intangible assets relating to products in development, other intangible assets not available for use and intangible assets having indefinite useful life are subject to impairment testing at each reporting date. All other intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. All impairment losses are recognised immediately in the consolidated statement of profit and loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Amortisation

Amortisation is recognised in the consolidated statement of profit and loss on a straight-line basis over the estimated useful lives of intangible assets or on any other basis that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity. Intangible assets that are not available for use are amortized from the date they are available for use.

The estimated useful lives are as follows:

	Years
Trademarks with finite useful life	3 to 12
Product related intangibles	5 to 15
Customer contracts	1 to 11
Technical know-how	3 to 13
Other intangibles	3 to 15

The amortisation period and the amortisation method for intangible assets with a finite useful life are reviewed at each reporting date.

De-recognition of intangible assets

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

m) Leases

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

Finance leases

A finance lease is recognised 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 capitalised 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 recognised on the Company's consolidated balance sheet. Payments made under operating leases are recognised in the consolidated statement of profit and loss on a straight-line basis over the term of the lease.

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

n) Inventories

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

o) Impairment of non-financial assets

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

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

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

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

p) Employee benefits

Short-term employee benefits

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

Defined contribution plans

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

Defined benefit plans

The liability in respect of defined benefit plans and other post-employment benefits is calculated using the projected unit credit method consistent with the advice of qualified actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related defined benefit obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. The current service cost of the defined benefit plan, recognised in the consolidated statement of profit and loss in employee benefit expense, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements. Past service costs are recognised immediately in income. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated statement of profit and loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Termination benefits

Termination benefits are recognised 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 recognised as an expense if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Other long-term employee benefits

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

Compensated absences

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

Equity settled share-based payments

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The expense is recorded for each separately vesting portion of the award as if the award was, in substance, multiple awards. The increase in equity recognised in connection with share-based payment transaction is presented as a separate component in equity under "share-based payment reserve". The amount recognised as an expense is adjusted to reflect the actual number of stock options that vest.

Cash settled share-based payments

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

q) Provisions, contingent liabilities and contingent assets

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

Restructuring

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

Onerous contracts

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

Reimbursement rights

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

Contingent liabilities and contingent assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

r) Financial instruments

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

Financial assets

Initial recognition and measurement

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

Subsequent measurement

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

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments at amortised cost

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

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

b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

Debt instrument at FVTOCI

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and

b) The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognised in the other comprehensive income (OCI). On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified to the consolidated statement of profit and loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

Debt instrument at FVTPL

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorisation as at amortised cost or as FVTOCI, is classified as at FVTPL.

In addition, the Group may elect to designate a debt instrument, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Group has not designated any debt instrument as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the consolidated statement of profit and loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Equity investments

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS103 applies are classified as at FVTPL. For all other equity instruments, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Group makes such election on an instrument by-instrument basis. The classification is made on initial recognition and is irrevocable.

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

Equity instruments included within the FVTPL category are measured at fair value with all changes recognised in the consolidated statement of profit and loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated balance sheet) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of trade receivables

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit and loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognised in OCI. These gains/ losses are not subsequently transferred to the consolidated statement of profit and loss. However, the Group may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the consolidated statement of profit and loss. The Group has not designated any financial liability as fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated statement of profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit and loss.

Derecognition

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

Derivative financial instruments

The Company is exposed to exchange rate risk which arises from its foreign exchange revenues and expenses, primarily in US dollars, UK pounds sterling, Russian roubles, Venezuelan bolivars and Euros, and foreign currency debt in US dollars, Russian roubles and Euros.

The Company uses foreign exchange forward contracts, option contracts and swap contracts (derivative financial instruments) to mitigate its risk of changes in foreign currency exchange rates. The Company also uses non derivative financial instruments as part of its foreign currency exposure risk mitigation strategy.

Hedges of highly probable forecasted transactions

The Company classifies its derivative financial instruments 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 in the Company's hedging reserve as a component of equity and re-classified to the consolidated statement of profit and loss as revenue in the period corresponding to the occurrence of the forecasted transactions. The ineffective portion of such cash flow hedges is recorded in the consolidated statement of profit and loss as finance costs immediately.

The Company also designates certain non derivative financial liabilities, such as foreign currency borrowings from banks, as hedging instruments for hedge of foreign currency risk associated with highly probable forecasted transactions. Accordingly, the Company applies cash flow hedge accounting to such relationships. Remeasurement gain/loss on such non derivative financial liabilities is recorded in the Company's hedging reserve as a component of equity and reclassified to the consolidated 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, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income, remains there until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in the consolidated statement of profit and loss.

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 consolidated 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 in the consolidated statement of profit and loss.

Hedges of changes in the interest rates

Consistent with its risk management policy, the Company uses interest rate swaps to mitigate the risk of changes in interest rates. The Company does not use them for trading or speculative purposes.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. Bank overdrafts that are repayable on demand and form an integral part of our cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

1.5 Determination of fair values

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

a) Property, plant and equipment

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

b) Intangible assets

The fair value of brands, technology related intangibles, and patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of these brands, technology related intangibles, patents or trademarks being owned (the "relief of royalty method"). The fair value of customer related, product related and other intangibles acquired in a business combination has been determined using the multi-period excess earnings method after deduction of a fair return on other assets that are part of creating the related cash flows.

c) Inventories

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

d) Investments in equity and debt securities and units of mutual funds

The fair value of marketable equity and debt securities is determined by reference to their quoted market price at the reporting date. For debt securities where quoted market prices are not available, fair value is determined using pricing techniques such as discounted cash flow analysis.

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

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

e) Derivatives

The fair value of foreign exchange forward contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). The fair value of foreign currency option and swap contracts and interest rate swap contracts is determined based on the appropriate valuation techniques, considering the terms of the contract.

f) Non derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements. In respect of the Company's borrowings that have floating rates of interest, their fair value approximates carrying value.

g) Share-based payment transactions

The fair value of employee stock options is measured using the Black-Scholes-Merton valuation model. Measurement inputs include share price on grant date, exercise price of the instrument, expected volatility (based on weighted average historical volatility), expected life of the instrument (based on historical experience), expected dividends, and the risk free interest rate (based on government bonds).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 NOTES TO FINANCIAL STATEMENTS

2.1 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	GROSS CARRYING VALUE					ACCUMULATED DEPRECIATION						NET CARRYING VALUE	
	AS AT 1 APRIL 2016	ADDITIONS	DISPOSALS	FOREIGN EXCHANGE ADJUSTMENTS	AS AT 31 MARCH 2017	AS AT 1 APRIL 2016	FOR THE YEAR	IMPAIRMENT (a)	DISPOSALS	FOREIGN EXCHANGE ADJUSTMENTS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
Land	3,906	98	-	(56)	3,948	-	-	39	-	-	39	3,909	3,906
Buildings													
Owned	17,409	2,387	34	(90)	19,672	3,847	787	213	23	(39)	4,785	14,887	13,562
Assets taken on finance lease	896	-	-	(61)	835	244	44	-	-	(24)	264	571	652
Leasehold improvements	582	9	-	-	591	138	61	-	-	-	199	392	444
Plant and machinery													
Owned	53,646	9,095	521	(478)	61,742	27,586	5,950	69	485	(271)	32,839	28,903	26,060
Assets taken on finance lease	17	-	-	(1)	16	15	2	-	-	(1)	16	-	2
Furniture and fixtures													
Owned	4,416	775	89	(37)	5,065	3,301	608	10	85	(29)	3,805	1,260	1,115
Assets taken on finance lease	1	-	-	-	1	1	-	-	-	-	1	-	-
Vehicles													
Owned	406	97	110	(3)	390	205	117	-	104	(1)	217	173	201
Assets taken on finance lease	356	-	11	-	345	168	2	-	11	-	159	186	188
TOTAL	81,635	12,461	765	(726)	92,605	35,505	7,571	331	718	(365)	42,324	50,281	46,130

PARTICULARS	GROSS CARRYING VALUE					ACCUMULATED DEPRECIATION						NET CARRYING VALUE	
	AS AT 1 APRIL 2015	ADDITIONS	DISPOSALS	FOREIGN EXCHANGE ADJUSTMENTS	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015	FOR THE YEAR	IMPAIRMENT (b)	DISPOSALS	FOREIGN EXCHANGE ADJUSTMENTS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
Land	3,891	23	7	(1)	3,906	-	-	-	-	-	-	3,906	3,891
Buildings													
Owned	14,931	2,374	3	107	17,409	3,148	662	20	1	18	3,847	13,562	11,783
Assets taken on finance lease	815	-	-	81	896	175	43	-	-	26	244	652	640
Leasehold improvements	560	22	-	-	582	83	55	-	-	-	138	444	477
Plant and machinery													
Owned	46,173	7,877	641	237	53,646	22,779	5,303	46	618	76	27,586	26,060	23,394
Assets taken on finance lease	16	-	-	1	17	12	2	-	-	1	15	2	4
Furniture and fixtures													
Owned	4,048	576	229	21	4,416	2,891	571	27	209	21	3,301	1,115	1,157
Assets taken on finance lease	1	-	-	-	1	1	-	-	-	-	1	-	-
Vehicles													
Owned	244	189	26	(1)	406	169	59	1	24	-	205	201	75
Assets taken on finance lease	363	-	7	-	356	119	52	-	3	-	168	188	244
TOTAL	71,042	11,061	913	445	81,635	29,377	6,747	94	855	142	35,505	46,130	41,665

(a) During the year ended 31 March 2017, the Company witnessed a significant decline in the expected cash flows of some of the products forming part of a cash generating unit ("CGU") under its Global Generics segment. Consequently, the Company, following the guidance under Ind AS 36 "Impairment of assets", determined that the estimated recoverable amount of the CGU is lower than its carrying cost. Accordingly, an amount of ₹ 335 (including ₹ 4 towards capital work-in-progress) was recorded as an impairment during the quarter ended 31 March 2017. The recoverable amounts of the above cash generating units have been assessed using a value-in-use model. Key assumptions on which the Company has based its determinations of value-in-use include: (i) Estimated cash flows for the remaining useful life; (ii) Terminal value is considered to be zero; (iii) The post-tax discount rates used are based on the Company's weighted average cost of capital. The post-tax discount rates used was 6.68%. The pre-tax discount rates was 9.02%.

(b) Impairment loss pertains to the assets forming part of the Company's Venezuelan subsidiary. (Refer note 2.44)

(c) The Company has capitalised borrowing costs of ₹ 65 (31 March 2016: ₹ 51). The rate for capitalisation of interest costs for the years ended 31 March 2017 and 31 March 2016 was approximately 2.14% and 2.07% respectively.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.2 GOODWILL AND OTHER INTANGIBLE ASSETS

PARTICULARS	GROSS CARRYING VALUE					ACCUMULATED AMORTISATION / IMPAIRMENT						NET CARRYING VALUE	
	AS AT 1 APRIL 2016	ADDITIONS	DISPOSALS (b)	FOREIGN EXCHANGE ADJUSTMENTS	AS AT 31 MARCH 2017	AS AT 1 APRIL 2016	FOR THE YEAR	IMPAIRMENT	DISPOSALS (b)	FOREIGN EXCHANGE ADJUSTMENTS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
Goodwill	35,252	10	-	(2,262)	33,000	30,602	-	-	-	(2,365)	28,237	4,763	4,650
Customer contracts	664	-	389	(8)	267	664	-	-	389	(8)	267	-	-
Copyrights and Patents (including marketing / distribution rights)	16,357	154	-	(1,170)	15,341	13,716	62	-	-	(1,057)	12,721	2,620	2,641
Technical know-how	1,932	27	-	(37)	1,922	809	227	-	-	(12)	1,024	898	1,123
Product related intangibles	13,541	561	252	(38)	13,812	2,983	2,111	40	252	(10)	4,872	8,940	10,558
Trademarks with finite useful life	-	1,148	-	-	1,148	-	-	32	-	-	32	1,116	-
Other intangibles	816	456	43	-	1,229	288	295	-	43	-	540	689	528
TOTAL	68,562	2,356	684	(3,515)	66,719	49,062	2,695	72	684	(3,452)	47,693	19,026	19,500

PARTICULARS	GROSS CARRYING VALUE					ACCUMULATED AMORTISATION / IMPAIRMENT						NET CARRYING VALUE	
	AS AT 1 APRIL 2015	ADDITIONS	DISPOSALS (b)	FOREIGN EXCHANGE ADJUSTMENTS	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015	FOR THE YEAR	IMPAIRMENT	DISPOSALS (b)	FOREIGN EXCHANGE ADJUSTMENTS	AS AT 31 MARCH 2016	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
Goodwill	31,850	323	-	3,079	35,252	27,531	-	-	-	3,071	30,602	4,650	4,319
Customer contracts	768	-	132	28	664	764	5	-	132	27	664	-	4
Copyrights and Patents (including marketing / distribution rights)	14,151	820	-	1,386	16,357	12,361	45	20	-	1,290	13,716	2,641	1,790
Technical know-how	673	1,259	-	-	1,932	640	169	-	-	-	809	1,123	33
Product related intangibles	6,354	7,151	-	36	13,541	833	2,129	-	-	21	2,983	10,558	5,521
Other intangibles	297	519	-	-	816	47	200	41	-	-	288	528	250
TOTAL	54,093	10,072	132	4,529	68,562	42,176	2,548	61	132	4,409	49,062	19,500	11,917

(a) Additions to intangible assets during the year ended 31 March 2016 include an amount of ₹ 7,800 paid on acquisition of select established brand portfolio of UCB. (Refer note 2.38)

(b) The Company derecognised certain intangible assets which were fully amortised and from which no future economic benefits were expected, either from use or from their disposal.

(c) Additions to goodwill, for the year ended 31 March 2017, represents goodwill arising on acquisition of Imperial Credit Private Limited.

2.3 INTANGIBLES ASSETS UNDER DEVELOPMENT

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Opening balance at the beginning of the year	1,096	203
Add: Additions during the year	26,858	1,035
Less: Capitalisations during the year	-	(102)
Less: Impairments during the year	(38)	(100)
Effect of changes in exchange rates	(766)	60
Closing balance at the end of the year	27,150	1,096

Additions during the year ended 31 March 2017 primarily include:

(a) ₹ 23,366, representing the consideration paid to Teva Pharmaceutical Industries Limited to acquire eight Abbreviated New Drug Applications ("ANDAs") in the United States (Refer note 2.47); and

(b) ₹ 3,159, representing the consideration for the acquisition from XenoPort, Inc. of exclusive U.S. rights for the development and commercialisation of a clinical stage oral new chemical entity. (Refer note 2.45)

The Company has capitalised borrowing costs of ₹ 258 (31 March 2016: ₹ Nil) with respect to qualifying assets. The rate for capitalisation of interest cost was approximately ranged from 0.91% to 2.14%.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 FINANCIAL ASSETS

2.4 A INVESTMENTS

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
Investments at fair value through OCI			
Quoted equity shares *(fully paid-up)*			
27,328,464 (31 March 2016: 17,120,131; 1 April 2015: 17,120,131) equity shares of US$ 0.01/- each of Curis, Inc. (Refer note 2.36)	4,927	1,724	2,554
120,000 (31 March 2016: 120,000; 1 April 2015: 120,000) equity shares of ₹ 1/- each of State Bank of India (a)	35	23	32
Total investments at fair value through OCI	**4,962**	**1,747**	**2,586**
Investments at fair value through profit or loss			
I. Investment in unquoted equity shares			
8,859 (31 March 2016: 8,859; 1 April 2015: 8,859) equity shares of ₹ 100/- each of Jeedimetla Effluent Treatment Limited, India	1	1	1
Ordinary shares of Biomed Russia Limited, Russia (b)	-	-	-
200,000 (31 March 2016: 200,000; 1 April 2015: 200,000) ordinary shares of ₹ 10/- each of Altek Engineering Limited, India	-	-	-
24,000 (31 March 2016: 24,000; 1 April 2015: 24,000) equity shares of ₹ 100/- each of Progressive Effluent Treatment Limited, India	-	-	-
20,250 (31 March 2016: 20,250; 1 April 2015: 20,250) equity shares of ₹ 10/- each of Shivalik Solid Waste Management Limited, India (c)	-	-	-
	1	1	1

(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 Biomed Russia Limited, Russia are not denominated in number of shares as per the laws of the country.

(c) Rounded off to millions in the note above.

II. Investment in unquoted mutual funds (Refer note 2.30)	11,141	22,558	21,641
Total investments at fair value through profit or loss (I+II)	**11,142**	**22,559**	**21,642**
Investments carried at amortised cost			
In term deposit accounts (original maturity more than 3 months)	3,390	12,714	12,837
Total investments	**19,494**	**37,020**	**37,065**
Current	14,271	35,034	34,259
Non current	5,223	1,986	2,806
	19,494	**37,020**	**37,065**
Aggregate book value of quoted investments	4,962	1,747	2,586
Aggregate market value of quoted investments	4,962	1,747	2,586
Aggregate value of unquoted investments	14,532	35,273	34,479
Aggregate amount of impairment in value of investment in unquoted equity shares	70	70	70

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 B TRADE RECEIVABLES

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
Unsecured, considered good	38,196	41,250	40,698
Doubtful	935	846	725
	39,131	**42,096**	**41,423**
Less: Allowances for credit losses (Refer note 2.34 (a))	(935)	(846)	(725)
	38,196	**41,250**	**40,698**
Current	37,986	41,250	40,698
Non current	210	-	-
	38,196	**41,250**	**40,698**

2.4 C OTHER FINANCIAL ASSETS

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
I. Non current assets			
Unsecured, considered good			
Security deposits	678	627	558
In term deposit accounts (remaining maturity more than 12 months)	13	-	11
Other assets	138	161	53
	829	**788**	**622**
II. Current assets			
Unsecured, considered good			
Claims receivable	680	631	338
Other assets	752	701	389
	1,432	**1,332**	**727**

2.4 D DERIVATIVE INSTRUMENTS AT FAIR VALUE THROUGH OCI

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
Foreign exchange forward contracts / option contracts	264	176	979
	264	**176**	**979**
Current	264	176	979
Non current	-	-	-
	264	**176**	**979**

2.4 E CASH AND CASH EQUIVALENTS

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
Balances with banks			
In current accounts	1,056	1,549	3,852
In EEFC accounts	9	30	32
In deposit accounts (original maturity less than 3 months)	2,733	3,277	1,450
Cash on hand	3	3	3
Other bank balances			
In unclaimed dividend accounts	47	44	39
In unclaimed fractional share pay order accounts	1	1	1
In unclaimed debentures and debenture interest account	16	17	18
Total cash and cash equivalents	3,865	4,921	5,395
Less: Bank overdraft (Refer note 2.8 B)	(87)	-	-
Cash and cash equivalents for the purpose of consolidated statement of cash flow	3,778	4,921	5,395

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.4 E CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and cash equivalents included restricted cash of ₹ 177, ₹ 257 and ₹ 1,971, respectively, as of 31 March 2017, 31 March 2016 and 1 April 2015, which consisted of:

- ₹ 64 as of 31 March 2017, ₹ 62 as of 31 March 2016 and ₹ 57 as of 1 April 2015, representing amounts in the Company's unclaimed dividend and debenture interest accounts;
- ₹ 38 as of 31 March 2017, ₹ 124 as of 31 March 2016 and ₹ 1,796 as of 1 April 2015, representing cash and cash equivalents of the Company's subsidiary in Venezuela, which are subject to foreign exchange controls (Refer note 2.44);
- ₹ Nil as of 31 March 2017, ₹ Nil as of 31 March 2016 and ₹ 107 as of 1 April 2015, representing amounts deposited as security for a bond executed for an environmental liability relating to the Company's site in Mirfield, United Kingdom;
- ₹ 49 as of 31 March 2017, ₹ Nil as of 31 March 2016 and ₹ Nil as of 1 April 2015, representing a portion of the purchase consideration, deposited in an escrow account, pursuant to an acquisition of an intangible asset; and
- ₹ 26 as of 31 March 2017, ₹ 71 as of 31 March 2016 and ₹ 11 as of 1 April 2015, representing other restricted cash amounts.

2.5 OTHER ASSETS

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
A. Non current assets			
Unsecured, considered good			
Capital advances	545	929	837
Advance income tax, net of provision	3,388	1,348	1,915
Others	194	282	173
	4,127	2,559	2,925
B. Current assets			
Unsecured, considered good			
Balances with statutory authorities	7,672	7,225	7,757
Prepaid expenses	712	679	695
Others	2,107	1,744	2,057
Unsecured, considered doubtful			
Other advances	77	67	54
	10,568	9,715	10,563
Less: Allowances for doubtful advances	(77)	(67)	(54)
	10,491	9,648	10,509

2.6 INVENTORIES

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
(Valued on weighted average basis)			
Raw materials (includes in transit 31 March 2017: ₹ 12; 31 March 2016: ₹ 62; 1 April 2015: ₹ 124)	7,213	5,754	6,738
Work-in-progress	6,626	7,064	6,784
Finished goods	8,364	7,066	7,246
Stock-in-trade	4,011	3,638	2,781
Stores and spares	1,238	1,072	975
Packing materials	1,076	985	1,005
	28,528	25,579	25,529

(a) The Company recorded inventory write-down of ₹ 3,085 (31 March 2016: ₹ 2,746). This is included as part of cost of materials consumed.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.7 SHARE CAPITAL

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
Authorised share capital			
240,000,000 equity shares of ₹ 5/- each (31 March 2016: 240,000,000; 1 April 2015: 240,000,000)	1,200	1,200	1,200
Issued equity capital			
165,741,913 equity shares of ₹ 5/- each fully paid-up (31 March 2016: 170,607,853; 1 April 2015: 170,381,374)	829	853	852
Subscribed and fully paid-up			
165,741,713 equity shares of ₹ 5/- each fully paid-up (31 March 2016: 170,607,653; 1 April 2015: 170,381,174)	829	853	852
Add: Forfeited share capital (e)	-	-	-
	829	853	852

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

PARTICULARS	AS AT 31 MARCH 2017		AS AT 31 MARCH 2016		AS AT 1 APRIL 2015	
	NO. OF EQUITY SHARES	AMOUNT	NO. OF EQUITY SHARES	AMOUNT	NO. OF EQUITY SHARES	AMOUNT
Number of shares outstanding at the beginning of the year	170,607,653	853	170,381,174	852	170,108,868	851
Add: Equity shares issued pursuant to employee stock option plan	211,564	1	226,479	1	272,306	1
Less: Equity shares bought back	(5,077,504)	(25)	-	-	-	-
Number of shares outstanding at the end of the year	165,741,713	829	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 2017, the amount of per share dividend proposed as distributions to equity shareholders is ₹ 20 (31 March 2016: ₹ 20; 1 April 2015: ₹ 20). The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting and if approved would result in a cash outflow of approximately ₹ 3,990 including dividend distribution tax. 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 31 MARCH 2017		AS AT 31 MARCH 2016		AS AT 1 APRIL 2015	
	NO. OF EQUITY SHARES HELD	% HOLDING IN THE CLASS	NO. OF EQUITY SHARES HELD	% HOLDING IN THE CLASS	NO. OF EQUITY SHARES HELD	% HOLDING IN THE CLASS
Dr. Reddy's Holdings Limited	40,627,000	24.51	39,961,234	23.42	39,729,284	23.32
First State Investments Management (UK) Limited, First State Investments International Limited and their associates*	14,907,551	8.99	15,260,425	8.94	14,389,390	8.45

**Does not include ADR holding.*

(d) 330,142 (31 March 2016: 427,348; 1 April 2015: 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 88,141 (31 March 2016: 92,043; 1 April 2015: 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 2.27)

(e) Represents 200 equity shares of ₹ 5/- each, amount paid-up ₹ 500/- (rounded off to millions in the note above) forfeited due to non-payment of allotment money.

(f) The Company has bought back and extinguished 5,077,504 equity shares during the year under the buyback of equity shares plan approved by the shareholders on 1 April 2016. (Refer note 2.50)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.7 SHARE CAPITAL (CONTINUED)

Aggregate number of shares bought back during the period of five years immediately preceeding the reporting date:

PARTICULARS	YEAR ENDED 31 MARCH				
	2017	2016	2015	2014	2013
Ordinary shares of ₹ 5/- each	5,077,504	-	-	-	-

2.8 FINANCIAL LIABILITIES

2.8 A NON CURRENT BORROWINGS

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
Unsecured			
Long term loans from banks (a)	4,852	9,938	13,532
Secured			
Long term maturities of finance lease obligations (b)	597	747	775
	5,449	10,685	14,307

2.8 B CURRENT BORROWINGS

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
From Banks			
Unsecured			
Packing credit loans (c)	18,698	20,896	20,857
Bank overdraft	87	-	-
Other short-term borrowings	24,841	1,822	1,000
	43,626	22,718	21,857

(a) (i) The balance of long-term loan, outstanding as at 31 March 2017, comprises of External Commercial Borrowing, carrying interest rate of LIBOR plus 82.7 bps and is repayable in three equal installments in the years ending 31 March 2020 and 31 March 2021.

(ii) External Commercial Borrowing, outstanding as at 31 March 2016, carrying interest rate of LIBOR plus 125 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 at 31 March 2017, 31 March 2016 and 1 April 2015.

(b) Finance lease obligations represent lease rentals payable for buildings, plant and machinery and vehicles leased by the Company. (Refer note 2.32)

(c) Packing credit loans, for the year ended 31 March 2017, comprised of US$ denominated loans carrying interest rates of LIBOR minus 30 to plus 1 bps, RUB denominated loans carrying fixed interest rate of 9.95%, and INR denominated loans carrying fixed interest rate of 6.92% to 6.95% and Treasury bill plus 30 bps and are repayable within 6 to 12 months from the date of drawdown. Packing credit loans, for the year ended 31 March 2016, comprised of US$ 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% to 11.57%, and are repayable within 6 to 12 months from the date of drawdown.

(d) Other short-term borrowings as at 31 March 2017 comprises of US$ 360 million loan carrying interest rate of LIBOR plus 42 bps and RUB 1,300 million loan carrying fixed inetrest rate of 10.48% and are repayable in the next financial year. Other short-term borrowings as at 31 March 2016 comprise of US$ 27.5 million loan carrying interest rate of LIBOR plus 40 bps and is repayable in April 2016.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.8 C OTHER FINANCIAL LIABILITIES

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
I. Other long-term liabilities	183	243	159
II. Other current financial liabilities			
Current maturities of long-term loans from banks	-	-	6,875
Current maturities of finance lease obligations	110	110	87
Due to capital creditors	2,848	3,231	2,168
Interest accrued but not due on loans	39	7	67
Accrued expenses	13,652	14,211	10,143
Derivative financial instrument - liability	10	107	639
Trade and security deposits received	203	222	335
Unclaimed dividends, debentures and debenture interest (a)	63	61	57
Others	1,825	2,553	1,603
	18,750	**20,502**	**21,974**
Current	18,750	20,502	21,974
Non current	183	243	159
	18,933	**20,745**	**22,133**

(a) Unclaimed amounts are transferred to Investor Protection and Education Fund after seven years from the due date.

2.8 D TRADE PAYABLES

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
Due to micro, small and medium enterprises	43	20	79
Others	10,526	9,048	8,414
	10,569	**9,068**	**8,493**

(a) The principal amount remaining unpaid as at 31 March 2017 in respect of enterprises covered under the "Micro, Small and Medium Enterprises Development Act, 2006" (MSMED) is ₹ 43 (31 March 2016: ₹ 20; 1 April 2015: ₹ 79). The interest amount computed based on the provisions under Section 16 of the MSMED is ₹ 0.02 (31 March 2016: ₹ 0.11; 1 April 2015: ₹ 0.09) is remaining unpaid as at 31 March 2017. The interest amount of ₹ 0.02 that remained unpaid as at 31 March 2016 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 (31 March 2016: ₹ Nil; 1 April 2015: ₹ Nil).

(c) The list of undertakings covered under MSMED was determined by the Company on the basis of information available with the Company and has been relied upon by the auditors.

2.9 PROVISIONS

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
A. Long term provisions			
Provision for employee benefits (Refer note 2.28)			
Long service award benefit plan	182	157	111
Pension, seniority and severence indemnity plans	172	199	203
Compensated absences	441	536	412
Other provisions (a)	47	55	53
	842	**947**	**779**
B. Short term provisions			
Provision for employee benefits (Refer note 2.28)			
Gratuity	173	243	86
Long service award benefit plan	25	19	14
Pension, seniority and severence indemnity plans	5	7	6
Compensated absences	414	256	204
Other provisions (a)			
Allowance for sales returns (Refer note 1.4 (f))	3,784	4,421	3,905
Others	724	342	322
	5,125	**5,290**	**4,537**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.9 PROVISIONS (CONTINUED)

(a) Details of changes in provisions are as follows:

PARTICULARS	ALLOWANCE FOR SALES RETUNS	OTHERS
Balance as at 1 April 2015	3,905	375
Provision made during the year	3,272	20
Provision used or reversed during the year	(2,937)	-
Effect of changes in foreign exchange rates	181	2
Balance as at 31 March 2016	4,421	397
Provision made during the year	3,177	383
Provision used or reversed during the year	(3,746)	-
Effect of changes in foreign exchange rates	(68)	(9)
Balance as at 31 March 2017	3,784	771

2.10 OTHER LIABILITIES

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
A. Non current liabilities			
Deferred revenue	3,166	1,528	2,111
Sales tax deferment loan from the Government of Telangana (interest free) (a)	-	5	8
Long term incentive plan	-	628	323
Other non current liabilities	85	99	104
	3,251	2,260	2,546
B. Current liabilities			
Advance from customers	310	334	407
Salary and bonus payable	1,701	2,132	2,226
Due to statutory authorities	554	528	656
Deferred revenue	509	324	776
Long term incentive plan	622	253	-
Sales tax deferment loan from the Government of Telangana (interest free) (a)	-	3	7
Others	951	15	-
	4,647	3,589	4,072

(a) Sales tax deferment loan has been paid during the year ended 31 March 2017.

2.11 OTHER OPERATING INCOME

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Sale of spent chemicals	206	271
Scrap sales	216	220
Miscellaneous income (a)	730	484
	1,152	975

(a) During the year ended 31 March 2017, the Company entered into an agreement with Galderma to settle the ongoing litigation relating to launch of a product in the United States of America. Pursuant to the settlement, the Company recorded an amount of ₹ 417 representing the relevant consideration attributable to settlement of litigation.

2.12 OTHER INCOME

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Interest income on fixed deposits	505	1,126
Profit on sale of mutual funds, net	497	800
Dividend from mutual fund units	-	53
Fair value gain on financial instruments at fair value through profit or loss	700	801
Miscellaneous income	13	170
	1,715	2,950

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.13 CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017		FOR THE YEAR ENDED 31 MARCH 2016	
Opening				
Work-in-progress	7,064		6,784	
Finished goods	7,066		7,246	
Stock-in-trade	3,638	17,768	2,781	16,811
Closing				
Work-in-progress	6,626		7,064	
Finished goods	8,364		7,066	
Stock-in-trade	4,011	19,001	3,638	17,768
		(1,233)		(957)

2.14 EMPLOYEE BENEFITS EXPENSE

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Salaries, wages and bonus	26,337	26,292
Contribution to provident and other funds	2,245	2,058
Staff welfare expenses	2,088	2,353
Share based payment expenses	398	471
	31,068	31,174

2.15 DEPRECIATION AND AMORTISATION EXPENSE

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Depreciation of property, plant and equipment	7,571	6,841
Amortisation of intangible assets	2,695	2,548
	10,266	9,389

2.16 FINANCE COSTS

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Interest on long-term borrowings	149	269
Interest on other borrowings	485	557
	634	826

2.17 OTHER EXPENSES

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Consumption of stores, spares and other materials	5,208	4,986
Clinical trials and other R&D expenses	10,345	8,287
Advertisements	1,154	984
Commission on sales	236	229
Carriage outward	2,267	2,781
Other selling expenses	9,277	7,817
Legal and professional	5,683	5,552
Power and fuel	3,301	3,152
Repairs and maintenance		
Buildings	552	406
Plant and machinery	932	950
Others	1,829	1,512
Insurance	455	508
Travel and conveyance	1,883	1,834
Rent	649	739
Rates and taxes	832	811

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.17 OTHER EXPENSES (CONTINUED)

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Corporate Social Responsibilty and donations (a)	466	435
Foreign exchange loss, net (b)	71	4,241
Allowances for credit losses, net	158	137
Allowances for doubtful advances, net	11	17
Non Executive Directors' remuneration	70	78
Auditors' remuneration (Refer note 2.20)	16	15
Other general expenses	3,811	3,177
	49,206	**48,648**

(a) Details of Corporate Social Responsibilty expenditure in accordance with section 135 of the Companies Act, 2013:

PARTICULARS	IN CASH	YET TO BE PAID IN CASH	TOTAL
Gross amount required to be spent by the Group during the year			410
Amount spent during the year ending on 31 March 2017	431	-*	431
Amount spent during the year ending on 31 March 2016	414	2	416

** Rounded off to millions above.*

(b) includes an amount of ₹ 4,621, for the year ended 31 March 2016, representing the amount of foreign exchange loss resulting from the Company's operations in Venezuela resulting from currency devaluation. (Refer note 2.44)

2.18 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 2017	FOR THE YEAR ENDED 31 MARCH 2016
Employee benefits expense (included in note 2.14)	4,921	5,130
Other expenses (included in note 2.17)		
Materials and consumables	3,392	3,510
Clinical trials and other R&D expenses	10,345	8,287
	18,658	**16,927**

2.19 FIRST-TIME ADOPTION OF IND AS

These financial statements, for the year ended 31 March 2017, are the first the Company has prepared in accordance with Ind AS. For periods up to and including the year ended 31 March 2016, the Company prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP).

Accordingly, the Company has prepared financial statements which comply with Ind AS applicable for periods ending on 31 March 2017, together with the comparative period data as at and for the year ended 31 March 2016, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening balance sheet was prepared as at 1 April 2015, the Company's date of transition to Ind AS. This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the balance sheet as at 1 April 2015 and the financial statements as at and for the year ended 31 March 2016.

Exemptions applied

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following exemptions:

Ind AS 103, *Business Combinations* has not been applied to acquisitions, which are considered businesses under Ind AS that occurred before 1 April 2015. Use of this exemption means that the Indian GAAP carrying amounts of assets and liabilities, that are required to be recognised under Ind AS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with respective Ind AS. The Company recognises all assets acquired and liabilities assumed in a past business combination, except (i) certain financial assets and liabilities that were derecognised and that fall under the derecognition exception, and (ii) assets (including goodwill) and liabilities that were not recognised in the acquirer's consolidated balance sheet under its previous GAAP and that would not qualify for recognition under Ind AS in the individual balance sheet of the acquiree. Assets and liabilities that do not qualify for recognition under Ind AS are excluded from the opening Ind AS balance sheet. The Company did not recognise or exclude any previously recognised amounts as a result of Ind AS recognition requirements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.19 FIRST-TIME ADOPTION OF IND AS (CONTINUED)

Ind AS 101 also requires that Indian GAAP carrying amount of goodwill must be used in the opening Ind AS balance sheet (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with Ind AS 101, the Company has tested goodwill for impairment at the date of transition to Ind AS. No goodwill impairment was deemed necessary at 1 April 2015.

Property, plant and equipment and intangible assets balances were in compliance with Ind AS 16 and Ind AS 38, respectively with a retrospective effect.

The Company has not applied Ind AS 21, *The Effects of Changes in Foreign Exchange Rates* retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to Ind AS. Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

Cumulative currency translation differences for all foreign operations are deemed to be zero as at 1 April 2015.

Ind AS 102, *Share-based Payment* has not been applied to equity instruments in share-based payment transactions that vested before 1 April 2015. For cash-settled share-based payment transactions, the Group has not applied Ind AS 102 to liabilities that were settled before 1 April 2015.

The Company does not have any arrangements containing a lease as defined under Appendix C to Ind AS 17, "Determining whether an arrangement contains a lease". Consequently, this exemption is not applicable to the Company.

Estimates

The estimates at 1 April 2015 and at 31 March 2016 are consistent with those made for the same dates in accordance with Indian GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items where application of Indian GAAP did not require estimation:

- FVTOCI – Quoted equity shares
- Impairment of financial assets based on expected credit loss model

The estimates used by the Company to present these amounts in accordance with Ind AS reflect conditions at 1 April 2015, the date of transition to Ind AS and as of 31 March 2016.

Reconciliation of equity as previously reported under Previous GAAP and that computed under Ind AS

PARTICULARS	AS AT 1 APRIL 2015	AS AT 31 MARCH 2016
Equity as per Indian GAAP	**98,531**	**117,009**
Adjustments:		
Derecognition of liability for proposed dividend for the year ended 31 March 2015 (a)	4,100	4,101
Fair valuation of investments in equity shares and mutual funds (b and c)	1,531	1,510
Impact on current and deferred taxes (d)	3,624	1,527
Impairment of trade receivables due to expected credit loss model (e)	(57)	(57)
Recognition of intangible assets not eligible for recognition under Indian GAAP (f)	192	1,035
Impact on account of change in accounting for joint ventures (g)	187	3
Consolidation of entities that did not qualify for consolidation under Indian GAAP	226	226
Reversal of goodwill amortised under Previous GAAP (h)	-	395
Others	-	(51)
Equity as per Ind AS	**108,334**	**125,698**

Reconciliation between financial results as previously reported under Previous GAAP and Ind AS for the year ended 31 March 2016

PARTICULARS	AMOUNT
Profit for the year under Previous GAAP	**21,514**
Impact on account of measuring investments at fair value through profit or loss	817
Recognition of intangible assets not eligible for recognition under Indian GAAP	859
Reversal of goodwill amortised under Previous GAAP	404
Difference in measurement of employee share-based payments	(16)
Difference in measurement of employee benefits	185
Impact on current and deferred taxes	(2,372)
Others	(85)
Profit for the year under Ind AS	**21,306**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.19 FIRST-TIME ADOPTION OF IND AS (CONTINUED)

a) Proposed dividend

Under Indian GAAP, proposed dividends including dividend distribution tax are recognised as a liability in the period to which they relate, irrespective of when they are declared. Under Ind AS, a proposed dividend is recognised as a liability in the period in which it is declared by the Company (usually when approved by shareholders in a general meeting) or paid. Therefore, the liability of ₹ 4,100 for the year ended on 31 March 2015 recorded for dividend has been derecognised against retained earnings on 1 April 2015.

b) FVTOCI financial assets

Under Indian GAAP, the Company accounted for long-term investments in quoted equity shares as investment measured at cost less provision for other than temporary diminution in the value of investments. Under Ind AS, the Company has designated such investments as FVTOCI investments. Ind AS requires FVTOCI investments to be measured at fair value. At the date of transition to Ind AS, difference between the instruments fair value and Indian GAAP carrying amount has been recognised as a separate component of equity, in the retained earnings, net of related deferred taxes.

c) Mutual funds

Under Indian GAAP, investments in mutual funds are accounted for as short-term investments and accordingly they are carried at lower of cost and fair value. Under Ind AS, the Company has designated such investments as FVTPL investments. Ind AS requires FVTPL investments to be measured at fair value. At the date of transition to Ind AS, difference between the instruments fair value and Indian GAAP carrying amount has been recognised as a separate component of equity, in the retained earnings, net of related deferred taxes.

d) Deferred tax

Indian GAAP requires deferred tax accounting using the consolidated statement of profit and loss approach, which focuses on differences between taxable profits and accounting profits for the period. Ind AS 12 requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind AS 12 approach has resulted in recognition of deferred tax on new temporary differences which was not required under Indian GAAP.

In addition, the various transitional adjustments lead to temporary differences such as recognition of deferred tax impact on unrealised intra-group profits at buyer's rate. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.

e) Trade receivables

Under Ind AS, impairment allowance has been determined based on Expected Credit Loss model (ECL). Due to ECL model, the Group impaired its trade receivable by ₹ 57 on 1 April 2015 which has been eliminated against retained earnings.

f) In-process research and development expenditure

Under Indian GAAP, in-process research and development expenditure does not qualify for capitalisation as intangible asset. Under Ind AS, such expenditure is allowed to be capitalised as intangible asset. As the asset is not available for use yet, it is not subject to amortisation. However, the same is tested for impairment following the guidance available under Ind AS 38, *Intangible assets*.

g) Joint venture

The Group holds 51.33% interest in KRRP and exercises joint control over the entity. Under Indian GAAP, the Group has proportionately consolidated its interest in KRRP in the Consolidated Financial Statements. On transition to Ind AS, the Group has assessed and determined that KRRP is its joint venture under Ind AS 111, *Joint Arrangements*. Therefore, it needs to be accounted for using the equity method as against proportionate consolidation. For the application of equity method, the initial investment is measured as the aggregate of Ind AS amount of assets and liabilities that the Group had previously proportionately consolidated including any goodwill arising on acquisition.

h) Reversal of amortisation of goodwill

Under Indian GAAP, the Company amortises goodwill over the period for which the Company expects to receive the synergies. However, under Ind AS, goodwill is not amortised but is tested for impairment at least annually. Accordingly, amortisation of goodwill for the year ended 31 March 2016 was appropriately adjusted to arrive at the profit under Ind AS.

i) Sale of goods

Under Indian GAAP, sale of goods was presented as net of excise duty. However, under Ind AS, sale of goods includes excise duty. Excise duty on sale of goods is included as part of sales in the face of consolidated statement of profit and loss. Thus sale of goods under Ind AS for the year ended 31 March 2016 has increased by ₹ 842 with a corresponding increase in cost of material consumed.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.19 FIRST-TIME ADOPTION OF IND AS (CONTINUED)

j) Defined benefit liabilities

Both under Indian GAAP and Ind AS, the Company recognised costs related to its post-employment defined benefit plan on an actuarial basis. Under Indian GAAP, the entire cost, including actuarial gains and losses, are charged to the consolidated statement of profit and loss. Under Ind AS, remeasurements (comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI. Thus the employee benefit cost is reduced by ₹ 185 and remeasurement gains/ losses on defined benefit plans has been recognised in the OCI, net of tax.

k) Share-based payments

Under Indian GAAP, the Company recognised only the intrinsic value of the options granted as an expense. Ind AS requires the fair value of the share options to be determined using an appropriate pricing model recognised over the vesting period. An additional expense of ₹ 16 has been recognised in the consolidated statement of profit and loss for the year ended 31 March 2016.

2.20 AUDITORS' REMUNERATION

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
a) Audit fees	13	12
b) Other charges		
Taxation matters	1	1
Other matters	1	1
c) Reimbursement of out of pocket expenses	1	1
	16	15

2.21 EARNINGS PER SHARE (EPS)

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Earnings		
Profit attributable to equity holders of the parent	12,921	21,306
Shares		
Number of shares at the beginning of the year	170,607,653	170,381,174
Add: Equity shares issued on exercise of vested stock options	211,564	226,479
Less: Buy back of equity shares	(5,077,504)	-
Total number of equity shares outstanding at the end of the year	165,741,713	170,607,653
Weighted average number of equity shares outstanding during the year – Basic	**166,648,943**	**170,547,643**
Add: Weighted average number of equity shares arising out of outstanding stock options that have dilutive effect on the EPS	348,732	525,137
Weighted average number of equity shares outstanding during the year – Diluted	**166,997,675**	**171,072,780**
Earnings per share of par value ₹ 5/- – Basic (₹)	77.53	124.93
Earnings per share of par value ₹ 5/- – Diluted (₹)	77.37	124.54

2.22 RELATED PARTIES

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

- Green Park Hotel and Resorts Limited for hotel services
- Dr. Reddy's Foundation towards contributions for social development
- Pudami Educational Society towards contributions for social development
- Dr. Reddy's Institute of Life Sciences for research and development services, and
- Stamlo Hotels Limited for hotel services.

These are enterprises over which Key Management Personnel have control or significant influence.

In accordance with the provisions of Ind AS 24 "Related Party Disclosures" and the Companies Act, 2013, Company's Directors, members of the Company's Management Council and Company Secretary are considered as Key Management Personnel.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.22 RELATED PARTIES (CONTINUED)

List of Key Management Personnel of the Company is as below:

• K Satish Reddy	Whole-time director
• G V Prasad	Whole-time director
• Anupam Puri	Independent director
• Bharat Narotam Doshi	Independent director
• Dr. Ashok Ganguly	Independent director
• Dr. Bruce LA Carter	Independent director
• Dr. Omkar Goswami	Independent director
• Hans Peter Hasler	Independent director
• J P Moreau (till 31 July 2015)	Independent director
• Kalpana Morparia	Independent director
• Ravi Bhoothalingam (till 27 July 2016)	Independent director
• Sridar Iyengar	Independent director
• Abhijit Mukherjee	Management council
• Alok Sonig	Management council
• Anil Namboodiripad (from 1 July 2016)	Management council
• Dr. Amit Biswas	Management council
• Dr. Cartikeya Reddy	Management council
• Dr. Chandrasekhar Sripada	Management council
• Dr. K V S Ram Rao	Management council
• Dr. Raghav Chari (till 31 October 2016)	Management council
• Ganadhish Kamat (from 18 April 2016)	Management council
• J Ramachandran (from September 2016)	Management council
• M V Ramana	Management council
• Samiran Das	Management council
• Saumen Chakraborty	Management council
• Umang Vohra (till 25 September 2015) and	Management council
• Sandeep Poddar	Company secretary

Further, the Company contributes to the Dr. Reddy's Laboratories Gratuity Fund, which maintains the plan assets of the Company's Gratuity Plan for the benefit of its employees.

The following is a summary of significant related party transactions:

	PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
i.	**Research and development services received**		
	Dr.Reddy's Institute of Life Sciences	114	102
ii.	**Contributions towards social development**		
	Dr.Reddy's Foundation	277	211
	Pudami Educational Society	41	38
	Total	318	249
iii.	**Hotel expenses paid**		
	Green Park Hotel and Resorts	39	44
	Stamlo Hotels Private Limited	5	7
	Total	44	51

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.22 RELATED PARTIES (CONTINUED)

	PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
iv.	Lease rentals paid under cancellable operating leases to		
	Key Management Personnel		
	K Satish Reddy	15	15
	Relatives of Key Management Personnel		
	G Anuradha	13	13
	K Deepti Reddy	3	3
	K Samrajyam	2	2
	G Mallika Reddy	3	2
	G V Sanjana Reddy	3	2
	Total	39	37

The Company had the following amounts due from related parties:

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
Key Management Personnel (towards rent deposits)	8	8
Dr. Reddys Foundation for Health and Education	-	1

The Company had the following amounts due to related parties:

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
Due to related parties	9	-

The following table describes the components of compensation paid or payable to Key Management Personnel:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Salaries and other benefits[1]	388	342
Contributions to defined contribution plans	28	19
Commission to directors	180	263
Share-based payments expense	76	77
Total	672	701

[1] In addition to the above, the Company has accrued ₹ 79 and ₹ 169 towards a long-term incentive plan for the services rendered by Key Management Personnel during the years ended 31 March 2017 and 31 March 2016, respectively.
Some of the Key Management Personnel of the Company are also covered under the Company's Gratuity Plan along with the other employees of the Company. Proportionate amounts of gratuity accrued under the Company's Gratuity Plan have not been separately computed or included in the above disclosure.

2.23 INVESTMENT IN EQUITY ACCOUNTED INVESTEES

Kunshan Rotam Reddy Pharmaceuticals Co. Limited ("Reddy Kunshan") is engaged in manufacturing and marketing of formulations in China. The Company's interest in Reddy Kunshan was 51.3% as of 31 March 2017 and 31 March 2016. Three directors of the Company are on the board of directors of Reddy Kunshan, which consists of seven directors. Under the terms of the joint venture agreement, all major decisions with respect to operating activities, significant financing and other activities are taken by the approval of at least five of the seven directors of Reddy Kunshan's board. As the Company does not control Reddy Kunshan's board and the other partners have significant participating rights, the Company's interest in Reddy Kunshan has been accounted for under the equity method of accounting under Ind AS 111.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.23 INVESTMENT IN EQUITY ACCOUNTED INVESTEES (CONTINUED)

Summary financial information of Reddy Kunshan, as translated into the reporting currency of the Company and not adjusted for the percentage ownership held by the Company, is as follows:

PARTICULARS	AS AT/FOR THE YEAR ENDED 31 MARCH		
	2017	2016	2015
	51.3%	51.3%	51.3%
Total current assets	3,385	2,876	2,090
Total non current assets	296	377	389
Total assets	**3,681**	**3,253**	**2,479**
Equity	2,603	2,129	1,656
Total current liabilities	1,078	1,124	823
Total equity and liabilities	**3,681**	**3,253**	**2,479**
Revenues	4,980	4,246	3,377
Expenses	4,295	3,800	2,998
Profit for the year	**685**	**446**	**379**

The Company's share of profits in Reddy Kunshan for the years ended 31 March 2017 and 31 March 2016 was ₹ 351 and ₹ 229 respectively. The carrying value of the Company's investment in Reddy Kunshan as at 31 March 2017, 31 March 2016 and 1 April 2015 was ₹ 1,519, ₹ 1,309 and ₹ 1,033, respectively. The translation adjustment arising out of translation of foreign currency balances amounted to ₹ 97 and ₹ 239 as of 31 March 2017 and 31 March 2016, respectively.

2.24 SEGMENT REPORTING

The Chief Operating Decision Maker ("CODM") evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by operating segments. The CODM reviews revenue and gross profit as the performance indicator for all of the operating segments, and does not review the total assets and liabilities of an operating segment. The Chief Executive Officer is the CODM of the Company.

The Company's reportable operating segments are as follows:

- Global Generics;
- Pharmaceutical Services and Active Ingredients ("PSAI"); and
- Proprietary Products.

Global Generics: This segment consists of the Company's business of manufacturing and marketing prescription and over-the-counter finished pharmaceutical products ready for consumption 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.

Pharmaceutical Services and Active Ingredients: This segment consists of the Company's business of manufacturing and marketing active pharmaceutical ingredients and intermediates, also known as "API" 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 the Company's contract research services business and the manufacture and sale of active pharmaceutical ingredients and steroids in accordance with the specific customer requirements.

Proprietary Products: This segment consists of the Company's business that focuses on the research, development, and manufacture of differentiated formulations and new chemical entities ("NCEs"). These novel products fall within the dermatology and neurology therapeutic areas and are marketed and sold through Promius Pharma, LLC.

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 to pre-clinical development.

The measurement of each segment's revenues, expenses and assets is consistent with the accounting policies that are used in preparation of the Company's consolidated financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.24 SEGMENT REPORTING (CONTINUED)

Information about segments:

REPORTABLE SEGMENTS	FOR THE YEAR ENDED 31 MARCH 2017				
	GLOBAL GENERICS	PSAI	PROPRIETARY PRODUCTS	OTHERS	TOTAL
Revenue from operations [1]	115,736	21,651	2,783	1,791	141,961
Gross profit	71,079	4,497	1,951	853	78,380
Less: Other unallocable expense/ (income), net					62,843
Profit before tax					15,537
Tax expense					2,965
Profit after tax					12,572
Add: Share of profit of equity accounted investees, net of tax					349
Profit for the year					12,921

REPORTABLE SEGMENTS	FOR THE YEAR ENDED 31 MARCH 2016				
	GLOBAL GENERICS	PSAI	PROPRIETARY PRODUCTS	OTHERS	TOTAL
Revenue from operations [1]	128,330	22,990	2,659	1,704	155,683
Gross profit	84,427	4,954	2,217	706	92,304
Less: Other unallocable expense/ (income), net					63,716
Profit before tax					28,588
Tax expense					7,511
Profit after tax					21,077
Add: Share of profit of equity accounted investees, net of tax					229
Profit for the year					21,306

[1] Revenue for the year ended 31 March 2017 does not include inter-segment revenues from PSAI to Global Generics which is accounted for at a cost of ₹ 6,181 (as compared to ₹ 5,447 for the year ended 31 March 2016).

Analysis of revenue by geography:

The following table shows the distribution of the Company's revenues (excluding other operating income) based on the location of the customers:

COUNTRY	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
India	24,927	23,913
United States	69,816	81,154
Russia	11,547	10,640
Others	34,519	39,001
Total	140,809	154,708

Analysis of revenue within the Global Generics segment:

An analysis of revenues (excluding other operating income) by therapeutic areas in the Company's Global Generics segment is given below:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Gastrointestinal	21,190	21,253
Oncology	17,054	19,410
Cardiovascular	15,553	19,009
Pain Management	14,323	16,240
Central Nervous System	12,749	14,739
Anti-Infective	7,189	12,711
Others	27,351	24,700
Total	115,409	128,062

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.24 SEGMENT REPORTING (CONTINUED)

Analysis of revenue within the PSAI segment:

An analysis of revenues (excluding other operating income) by therapeutic areas in the Company's PSAI segment is given below:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Cardiovascular	5,078	5,077
Pain Management	3,290	4,085
Central Nervous System	2,758	3,021
Anti-Infective	1,859	2,015
Dermatology	1,606	1,485
Oncology	1,534	2,570
Others	5,152	4,126
Total	**21,277**	**22,379**

Analysis of assets by geography:

The following table shows the distribution of the Company's non current assets (other than financial instruments and deferred tax assets) by country, based on the location of assets:

COUNTRY	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
India	61,031	56,320
United States	8,233	6,716
Switzerland	31,457	6,466
Germany	2,560	2,467
Others	5,001	5,253
Total	**108,282**	**77,222**

The following table shows the distribution of the Company's property, plant and equipment including capital work in progress and intangible assets acquired during the year (other than goodwill arising on business combination) by country, based on the location of assets:

COUNTRY	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
India	10,545	19,389
Switzerland	26,639	2,325
United States	2,657	1,019
Others	728	586
Total	**40,569**	**23,319**

Analysis of depreciation and amortisation by reportable segments:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Global Generics	6,400	5,898
PSAI	3,075	2,778
Proprietary Products	472	411
Others	319	302
Total	**10,266**	**9,389**

Information about major customers

Revenues from one of the customers of the Company's Global Generics segment were approximately ₹ 22,760 representing approximately 16% of the Company's total revenues, for the year ended 31 March 2017.

Revenues from two of the customers of the Company's Global Generics segment were approximately ₹ 21,600 and ₹ 15,998 representing approximately 14% and 10%, respectively, of the Company's total revenues, for the year ended 31 March 2016.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.25 DETAILS OF CASH TRANSACTION

Details of cash transaction during the period 8 November 2016 to 30 December 2016 is as follows:

All amounts in absolute ₹

PARTICULARS	SPECIFIED BANK NOTES*	OTHERS	TOTAL
Closing cash in hand as on 8 November 2016	763,500	479,484	1,242,984
Permitted receipts	-	580,439	540,439
Permitted payments	(79,500)	(440,222)	(519,722)
Amount deposited in bank	(684,000)	(28,000)	(712,000)
Closing cash in hand as on 30 December 2016	-	**591,701**	**591,701**

* *Specified bank notes includes currency notes of denomination ₹1,000 and ₹500.*

2.26 DESCRIPTION OF THE GROUP

A. Subsidiaries, step-down subsidiaries and joint ventures of the parent company are listed below:

ENTITY	COUNTRY OF INCORPORATION	% OF HOLDING
Subsidiaries		
Aurigene Discovery Technologies Limited	A Company organised under the laws of India	100
Cheminor Investments Limited	A Company organised under the laws of India	100
Cheminor Employees Welfare Trust	A Trust incorporated under the laws of India	*
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
Dr. Reddy's Research Foundation	A Company incorporated under the laws of India	*
Idea2Enterprises (India) Private Limited	A Company organised under the laws of India	100
Imperial Credit Private Limited (acquired w e f 22 February 2017)	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 Cheminor S.A. (liquidated during the year)	A Company organised under the laws of France	100
Reddy Pharma Iberia SA	A Company organised under the laws of Spain	100
Step-down subsidiaries		
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.(merged with Dr. Reddy's Research and Development B.V. w e f 1 January 2017)	A subsidiary of Dr. Reddy's Research and Development B.V. organised under the laws of Netherlands	100
DRL Impex Limited	A subsidiary of Idea2Enterprises (India) Private Limited organised under the laws of India	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	A subsidiary of Dr. Reddy's Laboratories SA organised under the laws of Colombia	100
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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.26 DESCRIPTION OF THE GROUP (CONTINUED)

Step-down subsidiaries		
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	A subsidiary of Dr. Reddy's Laboratories SA organised under the laws of Japan	100
Dr. Reddy's Laboratories Kazakhstan LLP (from 30 November 2016)	A subsidiary of Dr. Reddy's Laboratories SA organised under the laws of Kazakhstan	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
Lacock Holdings Limited	A subsidiary of Dr. Reddy's Laboratories SA organised under the laws of Cyprus	100
Dr. Reddy's Research and Development B.V. (formerly Octoplus B.V.)	A subsidiary of Reddy Netherlands B.V. organised under the laws of Netherlands	100
OctoPlus Development B.V. (merged with Dr. Reddy's Research and Development B.V. w e f 1 January 2017)	A subsidiary of Dr. Reddy's Research and Development B.V. organised under the laws of Netherlands	100
OctoPlus PolyActive Sciences B.V. (merged with Dr. Reddy's Research and Development B.V. w e f 1 January 2017)	A subsidiary of Dr. Reddy's Research and Development B.V. organised under the laws of Netherlands	100
OctoPlus Sciences B.V. (merged with Dr. Reddy's Research and Development B.V. w e f 1 January 2017)	A subsidiary of Dr. Reddy's Research and Development B.V. organised under the laws of Netherlands	100
OctoPlus Technologies B.V. (merged with Dr. Reddy's Research and Development B.V. w e f 1 January 2017)	A subsidiary of Dr. Reddy's Research and Development B.V. organised under the laws of Netherlands	100
OctoShare B.V. (merged with Dr. Reddy's Research and Development B.V. w e f 1 January 2017)	A subsidiary of Dr. Reddy's Research and Development B.V. organised under the laws of Netherlands	100
OOO Dr. Reddy's Laboratories Limited	A subsidiary of Dr. Reddy's Laboratories SA organised under the laws of Russia	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 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	A subsidiary of Lacock Holdings Limited organised under the laws of Italy	100
Reddy Pharma SAS	A subsidiary of Dr. Reddy's Laboratories SA organised under the laws of France	100

Joint ventures		
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 Energy Private Limited	A joint venture of Dr. Reddy's Laboratories Limited organised under the laws of India	26

Note: * Ownership interest is not by way of equity interest

Under liquidation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.26 DESCRIPTION OF THE GROUP (CONTINUED)

B. Additional information pursuant to para 2 of general instructions for the preparation of Consolidated financial statements

	NAME OF THE ENTITY	AS AT 31 MARCH 2017		FOR THE YEAR ENDED 31 MARCH 2017					
		NET ASSETS, I.E., TOTAL ASSETS MINUS TOTAL LIABILITIES		SHARE IN PROFIT OR LOSS		SHARE IN OCI		SHARE IN TOTAL COMPREHENSIVE INCOME	
		AS % OF CONSOLIDATED NET ASSETS	AMOUNT	AS % OF CONSOLIDATED PROFIT OR LOSS	AMOUNT	AS % OF CONSOLIDATED PROFIT OR LOSS	AMOUNT	AS % OF CONSOLIDATED PROFIT OR LOSS	AMOUNT
	Parent								
	Dr. Reddy's Laboratories Limited	94.61	116,006	107.12	13,841	13.87	408	89.83	14,249
	Subsidiaries								
	India								
1	Aurigene Discovery Technologies Limited	2.63	3,225	2.67	345	49.30	1,450	11.32	1,795
2	Cheminor Investments Limited	0.00	1	-	-	-	-	-	-
3	Cheminor Employees Welfare Trust	0.21	252	0.13	17	-	-	0.11	17
4	Dr. Reddy's Bio-Sciences Limited	0.27	335	(0.30)	(38)	-	-	(0.24)	(38)
5	DRL Impex Limited	(0.00)	(2)	(0.01)	(2)	-	-	(0.01)	(2)
6	Idea2Enterprises (India) Private Limited	1.25	1,535	-	-	-	-	-	-
7	Imperial Credit Private Limited (acquired w e f 22 February 2017)	0.02	21	-	-	-	-	-	-
8	Dr. Reddy's Pharma SEZ Limited	-	-	-	-	-	-	-	-
9	Dr. Reddy's Research Foundation	0.00	5	(0.16)	(21)	-	-	(0.13)	(21)
	Foreign								
1	Aurigene Discovery Technologies (Malaysia) SDN BHD	0.02	27	0.03	4	-	-	0.03	4
2	Aurigene Discovery Technologies Inc.	0.00	1	-	-	-	-	-	-
3	beta Institut gemeinnützige GmbH	0.01	6	-	-	(0.02)	(1)	(0.00)	(1)
4	betapharm Arzneimittel GmbH	0.04	45	5.98	773	(27.06)	(796)	(0.15)	(23)
5	Chienna B.V. [(1)]	-	-	(.85)	(110)	1.70	50	(.38)	(60)
6	Chirotech Technology Limited	0.70	855	1.72	222	(4.41)	(130)	0.58	92
7	Dr. Reddy's Farmaceutica Do Brasil Ltda.	(0.32)	(394)	(1.39)	(180)	-	-	(1.13)	(180)
8	Dr. Reddy's Laboratories (Australia) Pty. Limited	(0.38)	(468)	(0.04)	(6)	-	-	(0.03)	(6)
9	Dr. Reddy's Laboratories (Canada) Inc.	0.09	105	-	-	-	-	-	-
10	Dr. Reddy's Laboratories (EU) Limited	2.55	3,123	6.01	776	(7.99)	(235)	3.41	541
11	Dr. Reddy's Laboratories (Proprietary) Limited	0.12	152	(0.23)	(30)	-	-	(0.19)	(30)
12	Dr. Reddy's Laboratories (UK) Limited	1.35	1,653	1.09	140	-	-	0.88	140
13	Dr. Reddy's Laboratories Inc.	15.45	18,941	70.78	9,146	-	-	57.66	9,146
14	Dr. Reddy's Laboratories International SA	0.22	275	(0.02)	(3)	-	-	(0.02)	(3)
15	Dr. Reddy's Laboratories Japan KK	0.00	1	(0.09)	(12)	-	-	(0.08)	(12)
16	Dr. Reddy's Laboratories Kazakhstan LLP (from 30 November 2016)	0.02	27	(0.03)	(4)	-	-	(0.02)	(4)
17	Dr. Reddy's Laboratories SAS	0.00	(2)	(0.18)	(24)	-	-	(0.15)	(24)
18	Dr. Reddy's Laboratories LLC, Ukraine	0.04	51	(3.45)	(446)	-	-	(2.81)	(446)
19	Dr. Reddy's Laboratories Louisiana LLC	1.47	1,803	(6.13)	(792)	1.38	40	(4.74)	(752)
20	Dr. Reddy's Laboratories New York, Inc.	(0.46)	(568)	(4.57)	(590)	0.63	19	(3.60)	(571)
21	Dr. Reddy's Laboratories Romania SRL	0.14	167	0.07	9	-	-	0.05	9
22	Dr. Reddy's Laboratories SA, Switzerland	30.70	37,640	(8.82)	(1,140)	19.49	573	(3.58)	(567)
23	Dr. Reddy's Laboratories Tennessee, LLC	(1.50)	(1,842)	(6.39)	(825)	1.50	44	(4.93)	(781)
24	Dr. Reddy's New Zealand Limited	0.04	52	0.04	5	-	-	0.03	5
25	Dr. Reddy's Singapore PTE Limited	0.03	41	0.01	2	-	-	0.01	2
26	Dr. Reddy's Srl	(0.70)	(862)	(0.33)	(42)	2.54	75	0.21	33
27	Dr. Reddy's Venezuela, C.A.	(3.29)	(4,029)	(0.15)	(19)	-	-	(0.12)	(19)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.26 DESCRIPTION OF THE GROUP (CONTINUED)

	NAME OF THE ENTITY	AS AT 31 MARCH 2017		FOR THE YEAR ENDED 31 MARCH 2017					
		NET ASSETS, I.E., TOTAL ASSETS MINUS TOTAL LIABILITIES		SHARE IN PROFIT OR LOSS		SHARE IN OCI		SHARE IN TOTAL COMPREHENSIVE INCOME	
		AS % OF CONSOLIDATED NET ASSETS	AMOUNT	AS % OF CONSOLIDATED PROFIT OR LOSS	AMOUNT	AS % OF CONSOLIDATED PROFIT OR LOSS	AMOUNT	AS % OF CONSOLIDATED PROFIT OR LOSS	AMOUNT
28	Euro Bridge Consulting B.V.	0.13	154	(0.03)	(3)	-	-	(0.02)	(3)
29	Industrias Quimicas Falcon de Mexico, S.A. de CV	0.33	405	1.62	210	(0.56)	(17)	1.22	193
30	Lacock Holdings Limited	0.10	126	(0.25)	(32)	(0.36)	(10)	(0.26)	(42)
31	Dr. Reddy's Research and Development B.V. (formerly Octoplus B.V.)	(0.32)	(387)	0.61	79	(2.62)	(77)	0.01	2
32	OctoPlus Development B.V. (1)	-	-	2.84	366	(4.35)	(128)	1.50	238
33	OctoPlus PolyActive Sciences B.V. (1)	-	-	-	-	-	-	-	-
34	OctoPlus Sciences B.V. (1)	-	-	(0.14)	(18)	(0.08)	(2)	(0.13)	(20)
35	OctoPlus Technologies B.V. (1)	-	-	(1.96)	(254)	7.61	224	(0.19)	(30)
36	OctoShare B.V. (1)	-	-	(0.30)	(39)	(1.14)	(34)	(0.46)	(73)
37	OOO Dr. Reddy's Laboratories Limited	1.48	1,817	(7.14)	(923)	-	-	(5.82)	(923)
38	OOO DRS LLC	0.10	119	(0.14)	(18)	-	-	(0.11)	(18)
39	Promius Pharma LLC	(8.80)	(10,796)	(24.99)	(3,230)	9.36	275	(18.63)	(2,955)
40	Reddy Antilles N.V.	(0.11)	(134)	0.08	10	-	-	0.06	10
41	Reddy Cheminor S.A. (2)	-	-	-	-	-	-	-	-
42	Reddy Holding GmbH	16.47	20,202	11.67	1,508	47.95	1,410	18.40	2,918
43	Reddy Netherlands B.V.	2.22	2,720	(0.29)	(38)	-	-	(0.24)	(38)
44	Reddy Pharma Iberia SA	0.03	40	(0.09)	(11)	(0.13)	(4)	(0.10)	(15)
45	Reddy Pharma Italia S.R.L	(0.05)	(61)	(0.01)	(1)	0.77	23	0.14	21
46	Reddy Pharma SAS	0.01	12	(0.31)	(41)	-	-	(0.26)	(41)
	Joint Ventures								
	India								
1	DRSS Solar Power Private Limited (3)	-	-	-	-	-	-	-	-
2	DRES Solar Power Private Limited	-	-	(0.01)	(1)	-	-	(0.01)	(1)
	Foreign								
1	Kunshan Rotam Reddy Pharmaceutical Company Limited	-	-	2.70	349	(4.78)	(141)	1.31	208
2	DRANU LLC	-	-	-	-	-	-	-	-
	Sub total	156.92	192,395	146.37	18,909	102.60	3,016	138.22	21,925
	Less: Effect of intercompany adjustments / eliminations	(56.92)	(69,774)	(46.37)	(5,988)	(2.60)	(75)	(38.22)	(6,063)
	Total	100.00	122,621	100.00	12,921	100.00	2,941	100.00	15,862

(1) merged with Dr. Reddy's Research and Development B.V. w e f 1 January 2017.

(2) liquidated during the year.

(3) under liquidation.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.27 EMPLOYEE STOCK INCENTIVE PLANS

Dr. Reddy's Employees Stock Option Plan -2002 (the "DRL 2002 Plan"):

The Company instituted the DRL 2002 Plan for all eligible employees pursuant to 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"). The Nomination, Governance and Compensation Committee of the Board of DRL (the "Committee") administer the DRL 2002 Plan and grants stock options to eligible employees. The Committee determines which eligible employees will receive options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for all options issued on the date of grant. The options issued under the DRL 2002 Plan vest in periods ranging between one and four years and generally have a maximum contractual term of five years.

The DRL 2002 Plan, as amended at annual general meetings of shareholders 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 options reserved for grant having an exercise price equal to the fair market value of the underlying equity shares on the date of grant; and

Category B: 1,995,478 stock options out of the total of 2,295,478 options reserved for grant having an exercise price equal to the par value of the underlying equity shares (i.e., ₹ 5 per option).

Under the DRL 2002 Plan, the exercise price of the fair market value options granted under Category A above is determined based on the average closing price for 30 days prior to the grant in the stock exchange where there is highest trading volume during that period. Notwithstanding the foregoing, the Committee may, after obtaining the approval of the shareholders in the annual general meeting, grant options with a per share exercise price other than fair market value and par value of the equity shares.

After the stock split effected in the form of stock dividend issued by the Company in August 2006, the DRL 2002 Plan provides for stock option grants in the above two categories as follows:

PARTICULARS	NUMBER OF OPTIONS RESERVED UNDER CATEGORY A	NUMBER OF OPTIONS RESERVED UNDER CATEGORY B	TOTAL
Options reserved under original plan	300,000	1,995,478	2,295,478
Options exercised prior to stock dividend date (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 stock dividend (C)	205,939	1,847,685	2,053,624
Options reserved after stock dividend (A+B+C)	**505,939**	**3,843,163**	**4,349,102**

Stock option activity under the DRL 2002 Plan for the two categories of options during the years ended 31 March 2017 and 31 March 2016 is as follows:

Category A – Fair Market Value Options:

There were no options outstanding under this category as of 31 March 2017 and 31 March 2016.

Category B – Par Value Options	FOR THE YEAR ENDED 31 MARCH 2017			
PARTICULARS	SHARES ARISING OUT OF OPTIONS	RANGE OF EXERCISE PRICES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING USEFUL LIFE (MONTHS)
Outstanding at the beginning of the period	427,348	5.00	5.00	72
Granted during the period	103,136	5.00	5.00	90
Expired/forfeited during the period	(22,597)	5.00	5.00	-
Exercised during the period	(177,745)	5.00	5.00	-
Outstanding at the end of the period	**330,142**	**5.00**	**5.00**	**69**
Exercisable at the end of the period	**40,882**	**5.00**	**5.00**	**38**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.27 EMPLOYEE STOCK INCENTIVE PLANS (CONTINUED)

Category B – Par Value Options	FOR THE YEAR ENDED 31 MARCH 2016			
PARTICULARS	SHARES ARISING OUT OF OPTIONS	RANGE OF EXERCISE PRICES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING USEFUL LIFE (MONTHS)
Outstanding at the beginning of the period	585,454	5.00	5.00	71
Granted during the period	102,224	5.00	5.00	90
Expired/forfeited during the period	(66,319)	5.00	5.00	-
Exercised during the period	(194,011)	5.00	5.00	-
Outstanding at the end of the period	**427,348**	**5.00**	**5.00**	**72**
Exercisable at the end of the period	**53,801**	**5.00**	**5.00**	**42**

The weighted average grant date fair value of par value options granted under category B above of the DRL 2002 Plan during the years ended 31 March 2017 and 31 March 2016 was ₹ 3,266 and ₹ 3,350 per option, respectively. The weighted average share price on the date of exercise of options during the years ended 31 March 2017 and 31 March 2016 was ₹ 3,292 and ₹ 3,504 per share, respectively.

The aggregate intrinsic value of options exercised under the DRL 2002 Plan during the years ended 31 March 2017 and 31 March 2016 was ₹ 584 and ₹ 679, respectively. As of 31 March 2017, options outstanding under the DRL 2002 Plan had an aggregate intrinsic value of ₹ 867 and options exercisable under the DRL 2002 Plan had an aggregate intrinsic value of ₹ 107.

The term of the DRL 2002 plan was extended for a period of 10 years effective as of 29 January 2012 by the shareholders at the Company's Annual General Meeting held on 20 July 2012.

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 became effective upon its approval by the Board of Directors on 22 January 2007. The DRL 2007 Plan covers all employees and directors (excluding promoter directors) of DRL and its subsidiaries (collectively, "eligible employees"). The Committee administers the DRL 2007 Plan and grants stock options to eligible employees. The Committee determines which eligible employees will receive the options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for all options issued on the date of grant. The options issued under the DRL 2007 Plan vest in periods ranging between one and four years and generally have a maximum contractual term of five years.

The DRL 2007 Plan provides for option grants in two categories:

Category A: 382,695 stock options out of the total of 1,530,779 stock options reserved for grant having an exercise price equal to the fair market value of the underlying equity shares on the date of grant; and

Category B: 1,148,084 stock options out of the total of 1,530,779 stock options reserved for grant having an exercise price equal to the par value of the underlying equity shares (i.e., ₹ 5 per option).

Category A – Fair Market Value Options:

There were no options outstanding under this category as of 31 March 2017 and 31 March 2016.

Category B – Par Value Options	FOR THE YEAR ENDED 31 MARCH 2017			
PARTICULARS	SHARES ARISING OUT OF OPTIONS	RANGE OF EXERCISE PRICES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING USEFUL LIFE (MONTHS)
Outstanding at the beginning of the period	92,043	5.00	5.00	79
Granted during the period	52,956	5.00	5.00	90
Expired/forfeited during the period	(23,039)	5.00	5.00	-
Exercised during the period	(33,819)	5.00	5.00	-
Outstanding at the end of the period	**88,141**	**5.00**	**5.00**	**74**
Exercisable at the end of the period	**6,517**	**5.00**	**5.00**	**43**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.27 EMPLOYEE STOCK INCENTIVE PLANS (CONTINUED)

Category B – Par Value Options	FOR THE YEAR ENDED 31 MARCH 2016			
PARTICULARS	SHARES ARISING OUT OF OPTIONS	RANGE OF EXERCISE PRICES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING USEFUL LIFE (MONTHS)
Outstanding at the beginning of the period	98,350	5.00	5.00	72
Granted during the period	40,184	5.00	5.00	90
Expired/forfeited during the period	(14,023)	5.00	5.00	-
Exercised during the period	(32,468)	5.00	5.00	-
Outstanding at the end of the period	**92,043**	**5.00**	**5.00**	**79**
Exercisable at the end of the period	**7,141**	**5.00**	**5.00**	**45**

The weighted average grant date fair value of par value options granted under category B of the DRL 2007 Plan during the years ended 31 March 2017 and 31 March 2016 was ₹ 3,266 and ₹ 3,465, respectively. The weighted average share price on the date of exercise of options during the years ended 31 March 2017 and 31 March 2016 was ₹ 3,268 and ₹ 3,575, respectively.

The aggregate intrinsic value of options exercised under the DRL 2007 Plan during the years ended 31 March 2017 and 31 March 2016 was ₹ 110 and ₹ 116, respectively. As of 31 March 2017, options outstanding under the DRL 2007 Plan had an aggregate intrinsic value of ₹ 232 and options exercisable under the DRL 2007 Plan had an aggregate intrinsic value of ₹ 17.

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 one to four years. After vesting, such stock options generally have a maximum contractual term of five years.

Valuation of stock options:

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:

PARTICULARS	GRANTS MADE ON			
	15 NOVEMBER 2016	20 SEPTEMBER 2016	26 JULY 2016	11 MAY 2015
Expected volatility	32.77%	32.92%	29.88%	25.98%
Exercise price	₹ 5.00	₹ 5.00	₹ 5.00	₹ 5.00
Option life	2.5 Years	2.5 Years	2.5 Years	2.5 Years
Risk-free interest rate	6.27%	6.81%	6.91%	7.87%
Expected dividends	0.60%	0.60%	0.60%	0.60%
Grant date share price	₹ 3,310.70	₹ 3,157.80	₹ 3,319.65	₹ 3,359.70

The fair value of services received in return for stock options granted to employees is measured by reference to the fair value of stock options granted.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.27 EMPLOYEE STOCK INCENTIVE PLANS (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
Abhijit Mukherjee	Chief Operating Officer	5,500	-
Alok Sonig	Executive Vice President and Head - North America Generics	–	3,760
Dr. Cartikeya Reddy	Executive Vice President– Biologics	3,500	-
Saumen Chakraborty	President, Chief Financial Officer and Global Head - IT & BPE	4,000	-
M.V. Ramana	Executive Vice President and Head - Branded Markets (India & Emerging markets)	3,760	-
Samiran Das	Executive Vice President and Head - Global Manufacturing Operations	3,000	-
Dr. Amit Biswas	Executive Vice President - Integrated Product Development	3,000	-
Dr. K.V.S. Ram Rao	Senior Vice President and Head - PSAI Commercial Organisation	2,700	-
Dr. S. Chandrasekhar	President and Global Head - Human Resources	3,000	-
Dr. Raghav Chari (until 31 October 2016)	Executive Vice President and Head - Proprietary Products	–	3,760
Ganadhish Kamat	Executive Vice President and Head Global Quality Organization	3,096	-
Anil Namboodiripad	Senior Vice President, Proprietary Products and Head, Promius Pharma.	–	1,400

No employee of the Company received grant of options during the year amounting to 5% or more of the options granted or 1% of issued share capital of the Company.

Equity settled share-based payment expense

For the years ended 31 March 2017 and 2016, the Company recorded employee share-based payment expense of ₹ 350 and ₹ 442, respectively. As of 31 March 2017, there was ₹ 374 of total unrecognised compensation cost related to unvested stock options. This cost is expected to be recognised over a weighted-average period of 2.94 years.

Cash settled share-based payments

Certain of the Company's employees are eligible for share-based payment awards that are settled in cash. These awards entitle the employees to a cash payment, on the exercise date, upon satisfaction of certain service conditions which range from one to four years. The amount of cash payment is determined based on the price of the Company's ADS at the time of exercise. For the years ended 31 March 2017 and 31 March 2016, the Company recorded cash settled share-based payment expense of ₹ 48 and ₹ 29, respectively. As of 31 March 2017, there was ₹ 58 of total unrecognised compensation cost related to unvested awards. This cost is expected to be recognised over a weighted-average period of 3.1 years. This Scheme does not involve dealing in or subscribing to or purchasing securities of the company, directly or indirectly.

2.28 EMPLOYEE BENEFITS

Gratuity benefits provided by the parent company

In accordance with applicable Indian laws, the Company has a defined benefit plan which provides for gratuity payments (the "Gratuity Plan") and covers certain categories of employees in India. The Gratuity Plan provides a lump sum gratuity payment to eligible employees at retirement or termination of their employment. The amount of the payment is based on the respective employee's last drawn salary and the years of employment with the Company. Effective 1 September 1999, the Company established the Dr. Reddy's Laboratories Gratuity Fund (the "Gratuity Fund") to fund the Gratuity Plan. 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 invested in bonds issued by Government of India, corporate debt securities and in equity securities of Indian companies.

The components of gratuity cost recognised in the consolidated statement of profit and loss for the years ended 31 March 2017 and 31 March 2016 consist of the following:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Current service cost	221	177
Interest on net defined benefit liability, net	14	2
Gratuity cost recognised in the consolidated statement of profit and loss	235	179

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.28 EMPLOYEE BENEFITS (CONTINUED)

Details of the employee benefits obligations and plan assets are provided below:

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
Present value of funded obligations	1,840	1,540
Fair value of plan assets	(1,687)	(1,303)
Net defined benefit liability recognised	**153**	**237**

Details of changes in the present value of defined benefit obligations are as follows:

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
Defined benefit obligations at the beginning of the year	1,540	1,236
Current service cost	221	177
Interest on defined obligations	114	93
Re-measurements due to:		
Actuarial loss due to change in financial assumptions	30	35
Actuarial (gain)/loss due to demographic assumptions	(12)	11
Actuarial loss due to experience changes	62	106
Benefits paid	(115)	(118)
Defined benefit obligations at the end of the year	**1,840**	**1,540**

Details of changes in the fair value of plan assets are as follows:

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
Fair value of plan assets at the beginning of the year	1,303	1,157
Employer contributions	348	190
Interest on plan assets	99	91
Re-measurements due to:		
Return on plan assets excluding interest on plan assets	52	(17)
Benefits paid	(115)	(118)
Plan assets at the end of the year	**1,687**	**1,303**

Sensitivity analysis:

PARTICULARS	AS AT 31 MARCH 2017
Defined benefit obligation without effect of projected salary growth	1,054
Add: Effect of salary growth	786
Defined benefit obligation with projected salary growth	1,840
Defined benefit obligation, using discount rate minus 50 basis points	1,911
Defined benefit obligation, using discount rate plus 50 basis points	1,774
Defined benefit obligation, using salary growth rate plus 50 basis points	1,910
Defined benefit obligation, using salary growth rate minus 50 basis points	1,774

Summary of the actuarial assumptions: The actuarial assumptions used in accounting for the Gratuity Plan are as follows:

The assumptions used to determine benefit obligations:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Discount rate	7.20%	7.80%
Rate of compensation increase	7% per annum for first year and 9% per annum thereafter	10% per annum for first 2 years and 9% per annum thereafter

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.28 EMPLOYEE BENEFITS (CONTINUED)

The assumptions used to determine gratuity cost:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Discount rate	7.80%	8.00%
Rate of compensation increase	10% per annum for first 2 years and 9% per annum thereafter	10% per annum for first 2 years and 9% per annum thereafter

Contributions: The Company expects to contribute ₹ 153 to the Gratuity Plan during the year ending 31 March 2018.

Disaggregation of plan assets: The Gratuity Plan's weighted-average asset allocation at 31 March 2017 and 31 March 2016, by asset category, was as follows:

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
Funds managed by insurers	99%	99%
Others	1%	1%

The expected future cash flows in respect of gratuity as at 31 March 2017 were as follows:

PARTICULARS	AMOUNT
Expected contribution	
During the year ended 31 March 2018	153
Expected future benefit payments	
31 March 2018	209
31 March 2019	196
31 March 2020	192
31 March 2021	188
31 March 2022	176
Thereafter	2,581

Pension plan of the Company's subsidiary, Industrias Quimicas Falcon de Mexico

All employees of the Company's Mexican subsidiary, Industrias Quimicas Falcon de Mexico ("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 components of net pension cost recognised in the consolidated statement of profit and loss for the years ended 31 March 2017, 2016 and 2015 consist of the following:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Current service cost	13	14
Interest on net defined benefit liability, net	12	11
Total cost recognised in the consolidated statement of profit and loss	25	25

Details of the employee benefits obligation and plan assets are provided below:

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
Present value of funded obligations	218	249
Fair value of plan assets	(60)	(61)
Net defined benefit liability recognised	158	188

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.28 EMPLOYEE BENEFITS (CONTINUED)

Details of changes in the present value of defined benefit obligations are as follows:

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
Defined benefit obligations at the beginning of the year	249	252
Current service cost	13	14
Interest on defined obligations	17	17
Re-measurements due to:		
Actuarial gain due to change in financial assumptions	(24)	(7)
Actuarial loss due to demographic assumptions	-	7
Actuarial loss due to experience changes	7	3
Benefits paid	(19)	(22)
Foreign exchange differences	(25)	(15)
Defined benefit obligations at the end of the year	**218**	**249**

Details of changes in the fair value of plan assets are as follows:

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
Fair value of plan assets at the beginning of the year	61	68
Employer contributions	19	16
Interest on plan assets	6	6
Re-measurements due to:		
Return on plan assets excluding interest on plan assets	-	(2)
Benefits paid	(19)	(22)
Foreign exchange differences	(7)	(5)
Plan assets at the end of the year	**60**	**61**

Sensitivity analysis:

PARTICULARS	AS AT 31 MARCH 2017
Defined benefit obligation without effect of projected salary growth	139
Add: Effect of salary growth	79
Defined benefit obligation with projected salary growth	218
Defined benefit obligation, using discount rate minus 50 basis points	229
Defined benefit obligation, using discount rate plus 50 basis points	208
Defined benefit obligation, using salary growth rate plus 50 basis points	230
Defined benefit obligation, using salary growth rate minus 50 basis points	207

Contributions: The Company expects to contribute ₹ 34 to the Falcon defined benefit plans during the year ending 31 March 2018.

Summary of the actuarial assumptions: The actuarial assumptions used in accounting for the Falcon defined benefit plans are as follows:

The assumptions used to determine benefit obligations:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Discount rate	8.75%	7.75%
Rate of compensation increase	4.50%	4.50%

The assumptions used to determine defined benefit cost:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Discount rate	7.75%	7.50%
Rate of compensation increase	4.50%	4.50%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.28 EMPLOYEE BENEFITS (CONTINUED)

Disaggregation of plan assets: The Falcon pension plan's weighted-average asset allocation at 31 March 2017 and 31 March 2016, by asset category is as follows:

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
Corporate bonds	51%	51%
Others	49%	49%

The expected future cash flows in respect of post-employment benefit plans in Mexico as at 31 March 2017 were as follows:

PARTICULARS	AMOUNT
Expected contribution	
During the year ended 31 March 2018	34
Expected future benefit payments	
31 March 2018	2
31 March 2019	4
31 March 2020	6
31 March 2021	8
31 March 2022	11
Thereafter	572

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 ₹ 682 and ₹ 574 to the provident fund plan during the years ended 31 March 2017 and 31 March 2016, 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 ₹ 79 and ₹ 71 to the superannuation plan during the years ended 31 March 2017 and 31 March 2016, 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 ₹ 231 and ₹ 204 to the 401(k) retirement savings plan during the years ended 31 March 2017 and 31 March 2016, 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 ₹ 134 and ₹ 156 to the National Insurance during the years ended 31 March 2017 and 31 March 2016, respectively.

Compensated absences

The Company provides for accumulation of compensated absences by certain categories of its employees. These employees can carry forward a portion of the unutilised compensated absences and utilise it in future periods or receive cash in lieu thereof as per the Company's policy. The Company records a liability for compensated absences in the period in which the employee renders the services that increases this entitlement. The total liability recorded by the Company towards this obligation was ₹ 855 and ₹ 792 as at 31 March 2017 and 31 March 2016, 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 ₹ 622 and ₹ 881 as at 31 March 2017 and 31 March 2016, respectively.

Total employee benefit expenses, including share-based payments, incurred during the years ended 31 March 2017 and 31 March 2016 amounted to ₹ 31,068 and ₹ 31,174, respectively.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.29 INCOME TAXES

a. Income tax expense/ (benefit) recognised in the consolidated statement of profit and loss

Income tax expense recognised in the consolidated statement of profit and loss consists of the following:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Current taxes expense		
Domestic	1,936	4,450
Foreign	1,160	2,982
	3,096	7,432
Deferred taxes expense/(benefit)		
Domestic	(124)	(1,086)
Foreign	(7)	1,165
	(131)	79
Total income tax expense recognised in the consolidated statement of profit and loss	2,965	7,511

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

Income tax expense/ (benefit) recognised directly in equity consist of the following:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Tax effect on changes in fair value of investments	418	(191)
Tax effect on foreign currency translation differences	(177)	57
Tax effect on effective portion of change in fair value of cash flow hedges	41	37
Tax effect on actuarial gains/losses on defined benefit obligations	(14)	(64)
	268	(161)

c. Reconciliation of effective tax rate

The following is a reconciliation of the Company's effective tax rates for the years ended 31 March 2017 and 31 March 2016:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Profit before income taxes	15,537	28,588
Enacted tax rate in India	34.61%	34.61%
Computed expected tax expense	5,377	9,894
Effect of:		
Differences between Indian and foreign tax rates	(123)	(1,314)
Deduction for qualified domestic production activities in the United States	-	(38)
(Unrecognised deferred tax assets) / recognition of previously unrecognised deferred tax assets, net	2,845	1,461
Expenses not deductible for tax purposes	539	175
Income exempt from income taxes	(279)	(730)
Foreign exchange differences	(539)	932
Incremental deduction allowed for research and development costs	(3,111)	(2,782)
Tax expenses on dividend from subsidiary outside India	3	519
Effect of change in tax laws and rate in jurisdictions outside India	(100)	(47)
Investment allowance deduction	(363)	(177)
Reversal of earlier year's tax provisions	(1,370)	-
Others	86	(562)
Income tax expense	2,965	7,511
Effective tax rate	19.08%	26.27%

The Company's consolidated weighted average tax rates for the years ended 31 March 2017 and 31 March 2016 were 19.08% and 26.27%, respectively. The effective tax rate for the year ended 31 March 2017 was lower as compared to the year ended 31 March 2016 primarily as a result of favourable orders from judicial authorities of India on previously litigated matter.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.29 INCOME TAXES (CONTINUED)

d. Unrecognised deferred tax assets and liabilities

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

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
Deductible temporary differences, net	3,510	855
Operating tax loss carry forward	3,061	3,534
	6,571	4,389

During the year ended 31 March 2017, the Company, based on probable future taxable profit, has recognised previously unrecognised deferred tax assets of ₹ 128 pertaining to Octoplus N.V. Netherlands.

During the year ended 31 March 2017, the Company did not recognise deferred tax assets of ₹ 2,182 on certain deductible temporary differences, as the Company believes that availability of taxable profits against which such temporary differences can be utilised, is not probable.

Deferred income taxes are not provided on undistributed earnings of ₹ 29,991 as at 31 March 2017, of subsidiaries outside India, where it is expected that earnings of the subsidiaries will not be distributed in the foreseeable future. Generally, the Company indefinitely reinvests all the accumulated undistributed earnings of foreign subsidiaries, and accordingly, has not recorded any deferred taxes in relation to such undistributed earnings of its foreign subsidiaries. It is impracticable to determine the taxes payable when these earnings are remitted.

e. Deferred tax assets and liabilities

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

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Deferred tax assets/(liabilities):		
Inventory	2,389	2,601
Minimum Alternate Tax*	1,637	1,637
Trade receivables	1,386	1,563
Operating tax loss and interest loss carry-forward	1,329	480
Current liabilities and provisions	805	349
Property, plant and equipment	(1,673)	(941)
Investments	(704)	(202)
Others	(5)	(119)
Net deferred tax assets	**5,164**	**5,368**

* As per Indian tax laws, companies are liable for a Minimum Alternate Tax ("MAT" tax) when current tax, as computed under the provisions of the Income Tax Act, 1961 ("Tax Act"), is determined to be below the MAT tax computed under section 115JB of the Tax Act. The excess of MAT tax over current tax is eligible to be carried forward and set-off in the future against the current tax liabilities over a period of 15 years.

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

Operating loss carry forward consists of business losses, unabsorbed depreciation and unabsorbed interest carry-forwards. A portion of this total loss can be carried indefinitely and the remaining amounts expire at various dates ranging from 2018 through 2038.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.29 INCOME TAXES (CONTINUED)

f. Movement in deferred tax assets and liabilities during the years ended 31 March 2017 and 31 March 2016

PARTICULARS	AS AT 1 APRIL 2016	RECOGNISED IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS	RECOGNISED IN EQUITY	AS AT 31 MARCH 2017
Deferred tax assets/(liabilities)				
Inventory	2,601	(212)	-	2,389
Minimum Alternate Tax	1,637	-	-	1,637
Trade receivables	1,563	(177)	-	1,386
Operating tax loss and interest loss carry-forward	480	849	-	1,329
Current liabilities and provisions	349	317	139	805
Property, plant and equipment	(941)	(732)	-	(1,673)
Investments	(202)	(84)	(418)	(704)
Others	(119)	114	-	(5)
Net deferred tax assets/(liabilities)	5,368	75	(279)	5,164

PARTICULARS	AS AT 1 APRIL 2015	RECOGNISED IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS	RECOGNISED IN EQUITY	AS AT 31 MARCH 2016
Deferred tax assets/(liabilities)				
Inventory	3,497	(896)	-	2,601
Minimum Alternate Tax	644	993	-	1,637
Trade receivables	1,283	280	-	1,563
Operating tax loss and interest loss carry-forward	581	(101)	-	480
Current liabilities and provisions	868	(612)	93	349
Property, plant and equipment	(864)	(77)	-	(941)
Investments	(392)	(1)	191	(202)
Others	(304)	185	-	(119)
Net deferred tax assets/(liabilities)	5,313	(229)	284	5,368

The amounts recognised in the consolidated statement of profit and loss during the years ended 31 March 2017 and 31 March 2016 include ₹ 56 and ₹ 150, respectively, which represent exchange differences arising due to foreign currency translations.

2.30 OTHER INVESTMENTS

Other investments consist of investments in units of mutual funds, equity securities and term deposits (i.e., certificates of deposit having an original maturity period exceeding 3 months and less than 12 months) with banks. The details of such investments as of 31 March 2017 are as follows:

PARTICULARS	COST	GAIN RECOGNISED DIRECTLY IN EQUITY	GAIN RECOGNISED DIRECTLY IN CONSOLIDATED STATEMENT OF PROFIT AND LOSS	FAIR VALUE
Current portion				
Investment in units of mutual funds	9,464	-	1,417	10,881
Term deposits with banks	3,390	-	-	3,390
	12,854	-	1,417	14,271
Non current portion				
Investment in units of mutual funds	213	-	47	260
Investment in equity securities[1]	2,773	2,260	(70)	4,963
	2,986	2,260	(23)	5,223
Total	15,840	2,260	1,394	19,494

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.30 OTHER INVESTMENTS (CONTINUED)

As of 31 March 2016, the details of such investments were as follows:

PARTICULARS	COST	GAIN RECOGNISED DIRECTLY IN EQUITY	GAIN RECOGNISED DIRECTLY IN CONSOLIDATED STATEMENT OF PROFIT AND LOSS	FAIR VALUE
Current portion				
Investment in units of mutual funds	21,122	-	1,198	22,320
Term deposits with banks	12,714	-	-	12,714
	33,836	-	1,198	35,034
Non current portion				
Investment in units of mutual funds	213	-	25	238
Investment in equity securities[(1)]	1,526	292	(70)	1,748
	1,739	292	(45)	1,986
Total	35,575	292	1,153	37,020

(1) Primarily represents the shares of Curis, Inc. (Refer note 2.36)

Investment in unquoted mutual funds (Refer note 2.4 A)

FUND NAME	AS AT 31 MARCH 2017		AS AT 31 MARCH 2016		AS AT 1 APRIL 2015	
	UNITS	AMOUNT	UNITS	AMOUNT	UNITS	AMOUNT
TATA Money Market Fund - Direct Plan – Growth	470,148	1,205	251,808	601	-	-
Birla Sun Life Treasury Optimizer Plan -Direct Plan- Growth	5,645,005	1,187	5,645,005	1,073	5,645,005	985
Reliance FRF – Short Term - Direct Plan – Growth	46,642,822	1,226	69,298,523	1,675	69,298,523	1,543
IDFC SSIF MTP - Direct Plan –Growth	34,380,316	982	34,380,316	892	34,380,316	824
Reliance Medium Term Fund - Direct Plan – Growth	23,140,046	803	-	-	17,284,292	503
Axis Short Term Fund - Direct Plan –Growth	41,901,856	771	41,901,856	703	41,901,856	645
IDFC Super Saver Income Fund Short Term Plan Growth	19,461,900	668	19,461,900	614	26,714,768	775
Birla SL Short Term Fund -Direct Plan -Growth	9,658,402	604	9,658,402	551	9,658,402	507
HSBC Income Fund Short Term Plan -Direct Plan - Growth Direct Plan	21,501,955	601	21,501,955	549	21,501,955	507
L&T Liquid Fund - Direct Plan Growth	269,122	600	339,126	705	-	-
ICICI Prudential Flexible income - Direct Plan –Growth	1,919,547	600	-	-	-	-
HDFC Short Term Opportunities Fund Direct Plan Growth	28,546,552	517	64,875,313	1,077	36,328,761	991
ICICI Prudential Banking & PSU Debt- Direct Plan –Growth	26,068,852	493	-	-		
Sundaram Ultra Short Term Direct Plan - Bonus Plan	29,038,263	377	29,038,263	348	29,038,263	320
Reliance Short Term Fund - Direct Plan – Growth	11,772,000	372	30,835,233	889	19,063,233	819
IDFC SSIF MTP - Direct Plan - Growth	4,273,077	135	4,273,077	123	4,273,077	113
Sundaram Ultra Short Term Direct Plan – Growth	-	-	69,353,256	1,455	23,473,811	453
TATA Short Term Bond Fund - Direct Plan – Growth	-	-	36,945,933	1,063	19,165,753	507
Axis Liquid Fund - Direct Plan – Growth	-	-	601,301	1,010	-	-
SBI Premier Liquid Fund - Direct Plan – Growth	-	-	379,715	904	-	-
JM High Liquidity Fund Direct Plan – Growth	-	-	19,368,652	803	-	-
ICICI Prudential Ultra Short Term Fund - Direct Plan -Growth	-	-	46,042,021	719	-	-
L&T Cash Fund - Direct Plan – Growth	-	-	452,661	555	442,569	502
Birla Sun Life Cash Plus - Direct plan – Growth	-	-	2,221,838	541	-	-
Reliance Liquidity Fund - Direct Plan – Growth	-	-	231,614	529	-	-
ICICI PRU Money Market Fund - Direct Plan – Growth	-	-	2,475,861	519	5,179,112	1,002
Birla Sun Life Floating Rate Fund Short Term Plan - Direct plan – Growth	-	-	2,524,974	510	-	-
Reliance Liquid Fund - Cash Plan - Direct Plan – Growth	-	-	205,578	503	355,661	802
JM Arbitrage Adv Fund - Direct Plan - Annualised Bonus Plan principal Units	-	-	43,119,046	464	32,578,578	342

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.30 OTHER INVESTMENTS (CONTINUED)

FUND NAME	AS AT 31 MARCH 2017		AS AT 31 MARCH 2016		AS AT 1 APRIL 2015	
	UNITS	AMOUNT	UNITS	AMOUNT	UNITS	AMOUNT
ICICI Prudential Blended Plan B - Direct Plan -Growth	-	-	19,848,260	448	19,848,260	414
DSP BR Ultra Term Plan - Direct plan - Growth	-	-	36,949,112	406	-	-
HDFC Liquid Fund - Direct Plan – Growth	-	-	133,884	400	-	-
DWS Medium Term Income Fund - Direct Plan – Growth	-	-	25,930,472	329	25,930,472	303
HDFC FRIF STF WP - Direct Plan – Growth	-	-	11,677,287	305	-	-
IDFC Ultra Short Term Fund - Direct Plan -Growth	-	-	14,286,667	304	-	-
IDFC Banking Debt Fund Fund - Direct Plan -Growth	-	-	23,287,586	303	-	-
ICICI PRU Liquid Fund - Direct Plan – Growth	-	-	1,135,705	254	2,415,432	500
IDFC Cash Fund - Direct Plan -Growth	-	-	123,621	227	-	-
TATA Treasury Manager Fund - Direct Plan – Growth	-	-	102,256	207	-	-
Axis Banking Debt Fund - Direct Plan – Growth	-	-	-	-	319,795	912
BNP Paribas medium term income fund - Direct Plan	-	-	-	-	26,899,798	304
HDFC Banking & PSU Debt Fund - Direct Plan – Growth	-	-	-	-	45,394,707	501
HDFC Cash Mgmt Fund - Savings Plan – Growth	-	-	-	-	17,169,327	501
HSBC Cash Fund - Direct plan – Growth	-	-	-	-	1,077,126	1,503
ICICI Prudential blended plan- Regular dividend	-	-	-	-	33,255,737	449
IDFC Arbitrage Plus Fund Dividend Pay out -Direct Plan	-	-	-	-	24,759,221	298
IDFC Money Manager Fund - TP- Direct Plan -Growth	-	-	-	-	22,628,837	1,004
JPMorgan India Active Bond Fund - Direct Plan – Growth	-	-	-	-	52,118,622	809
Reliance Money Manager Fund - Direct Plan – Growth	-	-	-	-	259,866	501
SBI Magnum Insta Cash plan - Direct Plan – Growth	-	-	-	-	323,236	1,001
TATA Liquid Fund - Direct Plan – Growth	-	-	-	-	193,950	501
Total	305,139,863	11,141	689,308,077	22,558	669,328,321	21,641

2.31 OPERATING LEASES

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. Rental expense under these leases was ₹ 751 and ₹ 819 for the years ended 31 March 2017 and 31 March 2016 respectively.

The schedule of future minimum rental payments in respect of non-cancellable operating leases is set out below:

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
Less than one year	384	396
Between one and five years	961	1,185
More than five years	366	663
	1,710	2,244

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. The future minimum rental payments in respect of this lease are ₹ 904 (US$ 14 million) and ₹ 1,394 (US$ 21 million) as at 31 March 2017 and 31 March 2016, respectively.

2.32 FINANCE LEASES

The Company has leased buildings, plant and machinery and vehicles under finance leases. Future minimum lease payments under finance leases as at 31 March 2017 were as follows:

PARTICULARS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS	INTEREST	FUTURE MINIMUM LEASE PAYMENTS
Not later than one year	110	77	187
Between one and five years	217	149	366
More than five years	380	84	464
	707	310	1,017

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.32 FINANCE LEASES (CONTINUED)

Future minimum lease payments under finance leases as at 31 March 2016 were as follows:

PARTICULARS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS	INTEREST	FUTURE MINIMUM LEASE PAYMENTS
Not later than one year	110	106	216
Between one and five years	272	203	475
More than five years	475	125	600
	857	**434**	**1,291**

2.33 FINANCIAL INSTRUMENTS

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

PARTICULARS	CARRYING VALUE			FAIR VALUE		
	31 MARCH 2017	31 MARCH 2016	1 APRIL 2015	**31 MARCH 2017**	31 MARCH 2016	1 APRIL 2015
Financial assets						
Cash and cash equivalents	3,865	4,921	5,395	3,865	4,921	5,395
Investments	19,494	37,020	37,065	19,494	37,020	37,065
Trade receivables	38,196	41,250	40,698	38,196	41,250	40,698
Derivative instruments	264	176	979	264	176	979
Other financial assets	2,261	2,120	1,349	2,261	2,120	1,349
Total	**64,080**	**85,487**	**85,486**	**64,080**	**85,487**	**85,486**
Financial liabilities						
Trade payables	10,569	9,068	8,493	10,569	9,068	8,493
Long term borrowings	5,559	10,795	21,269	5,559	10,795	21,269
Short term borrowings	43,626	22,718	21,857	43,626	22,718	21,857
Other financial liabilities	18,823	20,635	15,171	18,823	20,635	15,171
Total	**78,577**	**63,216**	**66,790**	**78,577**	**63,216**	**66,790**

Fair value hierarchy

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table presents the fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 31 March 2017:

PARTICULARS	LEVEL 1	LEVEL 2	LEVEL 3	**TOTAL**
FVTPL - Financial asset - Investments in units of mutual funds	11,141	-	-	11,141
FVTOCI - Financial asset - Investment in equity securities	4,962	-	-	4,962
Derivative financial instruments - gain/(loss) on outstanding foreign exchange forward, option and swap contracts and interest rate swap contracts[1]	-	254	-	254

The following table presents the fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of 31 March 2016:

PARTICULARS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
FVTPL - Financial asset - Investments in units of mutual funds	22,558	-	-	22,558
FVTOCI - Financial asset - Investment in equity securities	1,747	-	-	1,747
Derivative financial instruments - gain/(loss) on outstanding foreign exchange forward, option and swap contracts and interest rate swap contracts[1]	-	69	-	69

(1) 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 option and swap contracts. The most frequently applied valuation techniques include forward pricing, swap models and Black-Scholes-Merton models (for option valuation), using present value calculations.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.33 FINANCIAL INSTRUMENTS (CONTINUED)

The models incorporate various inputs including foreign exchange spot and forward rates, interest rate curves and forward rate curves. As at 31 March 2017, the changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

Derivative financial instruments

The Company is exposed to exchange rate risk that arises from its foreign exchange revenues and expenses, primarily in US dollars, UK pounds sterling, Russian roubles, Venezuelan bolivars and Euros, and foreign currency debt in US dollars, Russian roubles and Euros. The Company uses forward contracts, option contracts and currency swap contracts (collectively, "derivatives") to mitigate its risk of changes in foreign currency exchange rates.

The counterparty for these contracts is generally a bank or a financial institution. The Company had a derivative financial asset and derivative financial liability of ₹ 264 and ₹ 10, respectively, as of 31 March 2017 as compared to derivative financial asset and derivative financial liability of ₹ 176 and ₹ 107, respectively, as of 31 March 2016 towards these derivative financial instruments.

Further, in respect of these foreign exchange derivative contracts, the Company has recorded, as part of foreign exchange gain and losses, a net gain of ₹ 699 and ₹ 231, for the years ended 31 March 2017 and 31 March 2016, respectively.

Hedges of highly probable forecasted transactions

The Company classifies its derivative contracts that hedge foreign exchange risk associated with its 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 a component of equity within the Company's "hedging reserve", and re-classified in the consolidated statement of profit and loss as revenue in the period corresponding to the occurrence of the forecasted transactions. The ineffective portion of such cash flow hedges is immediately recorded in the consolidated statement of profit and loss as foreign exchange gain and losses.

The Company also designates certain non derivative financial liabilities, such as foreign currency borrowings from banks, as hedging instruments for the hedge of foreign exchange 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 a component of equity within the Company's "hedging reserve", and re-classified in the consolidated 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 recorded, as a component of equity, a net gain of ₹ 968 and ₹ 972 for the years ended 31 March 2017 and 31 March 2016, respectively.

The Company also recorded, as a component of revenue, a net loss of ₹ 683 and ₹ 1,172 during the years ended 31 March 2017 and 31 March 2016, respectively.

The net carrying amount of the Company's "hedging reserve" as a component of equity before adjusting for tax impact was a gain of ₹ 129 as at 31 March 2017, as compared to a loss of ₹ 839 as at 31 March 2016.

Hedges of recognised assets and liabilities

Changes in the fair value of forward contracts and option contracts that economically hedge monetary assets and liabilities in foreign currencies, and for which no hedge accounting is applied, are recognised in the consolidated statement of profit and loss. The changes in fair value of the forward contracts and option 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 foreign exchange derivative contracts

The following table gives details in respect of the notional amount of outstanding foreign exchange derivative contracts as of 31 March 2017:

Amounts in million

CATEGORY	INSTRUMENT	CURRENCY	CROSS CURRENCY	AMOUNT	BUY/SELL
Hedges of recognised assets and liabilities	Forward contract	US$	INR	US$ 193.5	Sell
	Forward contract	US$	RON	US$ 3.0	Buy
	Forward contract	US$	RUB	US$ 20.0	Buy
	Forward contract	EUR	US$	EUR 95.0	Sell
	Forward contract	GBP	US$	US$ 14.1	Buy
	Option contract	US$	INR	US$ 80.0	Sell
Hedges of highly probable forecasted transactions	Forward contract	RUB	INR	RUB 150.0	Sell
	Option contract	US$	INR	US$ 180.0	Sell

"INR" means Indian Rupees, "RON" means Romanian new leus, and "RUB" means Russian roubles.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.33 FINANCIAL INSTRUMENTS (CONTINUED)

The following table gives details in respect of the notional amount of outstanding foreign exchange derivative contracts as of 31 March 2016:

Amounts in million

CATEGORY	INSTRUMENT	CURRENCY	CROSS CURRENCY	AMOUNT	BUY/SELL
Hedges of recognised assets and liabilities	Forward contract	US$	INR	US$ 97.0	Sell
	Forward contract	US$	RON	US$ 8.0	Buy
	Forward contract	US$	RUB	US$ 15.0	Buy
	Forward contract	EUR	US$	EUR 35.5	Sell
	Option contract	US$	INR	US$ 100.0	Sell
Hedges of highly probable forecasted transactions	Forward contract	RUB	INR	RUB 600.0	Sell
	Option contract	EUR	INR	EUR 6.0	Sell
	Option contract	US$	INR	US$ 235.0	Sell

The table below summarises the periods when the cash flows associated with highly probable forecasted transactions that are classified as cash flow hedges are expected to occur:

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
Cash flows in US Dollars		
Not later than one month	973	2,816
Later than one month and not later than three months	1,946	5,300
Later than three months and not later than six months	2,918	7,123
Later than six months and not later than one year	5,837	3,975
	11,674	19,214
Cash flows in Russian Roubles		
Not later than one month	57	123
Later than one month and not later than three months	115	246
Later than three months and not later than six months	-	222
	172	591
Cash flows in Euros		
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
	-	452

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 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 recognised as part of finance cost.

As at 31 March 2017 and 31 March 2016, the Company had no outstanding interest rate swap arrangements.

2.34 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 the Company's risk assessment and management policies and processes.

a. Credit risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.34 FINANCIAL RISK MANAGEMENT (CONTINUED)

Trade and other receivables

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

Investments

The Company limits its exposure to credit risk by generally investing in liquid securities and only with counterparties that have a good credit rating. The Company does not expect any losses from non-performance by these counter-parties, and does not have any significant concentration of exposures to specific industry sectors or specific country risks.

Financial assets that are neither past due nor impaired

None of the Company's cash equivalents, including term deposits (i.e., certificates of deposit) with banks, were past due or impaired as at 31 March 2017. Of the total trade receivables, ₹ 27,813 as at 31 March 2017 and ₹ 34,840 as at 31 March 2016 consisted of customer balances that were neither past due nor impaired.

Financial assets that are past due but not impaired

The Company's credit period for customers generally ranges from 20 - 180 days. The aging of trade receivables that are past due but not impaired is given below:

PERIOD (IN DAYS)	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016
1 – 90	8,380	5,151
90 – 180	707	577
More than 180	1,296	682
Total	10,383	6,410

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

On account of adoption of Ind AS 109, the Company uses Expected Credit Loss (ECL) model for assessing the impairment loss. For this purpose, the Company uses a provision matrix to compute the expected credit loss amount for trade receivables. The provision matrix takes into account external and internal credit risk factors and historical data of credit losses from various customers.

Reconciliation of allowance for credit losses

The details of changes in allowance for credit losses during the year ended 31 March 2017 and 31 March 2016 are as follows:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016
Balance at the beginning of the year	846	725
Provision for doubtful trade and other receivables, net	158	137
Trade receivables written off and effect of changes in foreign exchange rates	(69)	(16)
Balance at the end of the year	935	846

b. Liquidity risk

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

As of 31 March 2017 and 31 March 2016, the Company had unutilised credit limits from banks of ₹ 21,156 and ₹ 14,771 respectively.

As of 31 March 2017, the Company had working capital (current assets less current liabilities) of ₹ 12,638, including cash and cash equivalents of ₹ 3,865, investments in term deposits (i.e., bank certificates of deposits having original maturities of more than 3 months) of ₹ 3,390 and investments in FVTPL financial assets of ₹ 10,881. As of 31 March 2016, the Company had working capital of ₹ 54,469, including cash and cash equivalents of ₹ 4,921, investments in term deposits (i.e., bank certificates of deposits having maturities of more than 3 months) of ₹ 12,714, and investments in FVTPL financial assets of ₹ 22,320.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.34 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 2.32 to these consolidated financial statements) as at 31 March 2017:

PARTICULARS	2018	2019	2020	2021	THEREAFTER	TOTAL
Trade payables	10,569	-	-	-	-	10,569
Long term borrowings from banks	-	-	1,610	3,242	-	4,852
Bank overdraft, short-term loans and borrowings	43,626	-	-	-	-	43,626
Other liabilities	18,640	88	7	6	82	18,823

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 2.32 to these consolidated financial statements) as at 31 March 2016:

PARTICULARS	2017	2018	2019	2020	THEREAFTER	TOTAL
Trade payables	9,068	-	-	-	-	9,068
Long term borrowings from banks	-	1,987	7,951	-	-	9,938
Bank overdraft, short-term loans and borrowings	22,718	-	-	-	-	22,718
Other liabilities	20,392	76	42	14	111	20,635

c. Market risk

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

Foreign exchange risk

The Company's foreign exchange risk arises from its foreign operations, foreign currency revenues and expenses, (primarily in US dollars, Russian roubles, UK pounds sterling and Euros) and foreign currency borrowings (in US dollars, Russian roubles and Euros). 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 revenues measured in Indian rupees may decrease. 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 both derivative and non derivative financial instruments, such as foreign exchange forward contracts, option contracts, currency swap contracts and foreign currency financial liabilities, 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 foreign exchange forward and option contracts are given in note 2.33 above.

In respect of the Company's forward contracts, option contracts and currency swap contracts, a 10% decrease/increase in the respective exchange rates of each of the currencies underlying such contracts would have resulted in:

- a ₹ 1,154/(710) increase/(decrease) in the Company's hedging reserve and an a ₹ 2,143/(2,287) increase/(decrease) in the Company's net profit from such contracts, as at 31 March 2017;
- a ₹ 1,511/(424) increase/(decrease) in the Company's hedging reserve and an a ₹ 1,277/(1,707) increase/(decrease) in the Company's net profit from such contracts, as at 31 March 2016.

The carrying value of the Company's foreign currency borrowings designated in a cash flow hedge as of 31 March 2017 was ₹ Nil. In respect of these borrowings, a 10% decrease/increase in the respective exchange rates of each of the currencies underlying such borrowings would have resulted in a ₹ 364 increase/decrease in the Company's hedging reserve as at 31 March 2016.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.34 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table analyzes foreign currency risk from non derivative financial instruments as at 31 March 2017:

(All figures in equivalent Indian Rupees millions)

PARTICULARS	US DOLLARS	EURO	RUSSIAN ROUBLES	OTHERS [1]	TOTAL
Assets					
Cash and cash equivalents	130	87	59	841	1,116
Other investments	-	-	-	14	14
Trade receivables	24,577	567	6,226	2,113	33,483
Other assets	457	-	274	33	764
Total	**25,164**	**654**	**6,559**	**3,001**	**35,378**
Liabilities					
Trade and other payables	2,073	822	-	315	3,210
Long-term borrowings	4,852	-	76	-	4,928
Short-term borrowings	13,056	-	4,023	-	17,079
Other liabilities	4,534	199	1,640	628	7,001
Total	**24,515**	**1,021**	**5,739**	**943**	**32,218**

The following table analyzes foreign currency risk from non derivative financial instruments as at 31 March 2016:

(All figures in equivalent Indian Rupees millions)

PARTICULARS	US DOLLARS	EURO	RUSSIAN ROUBLES	OTHERS [1]	TOTAL
Assets					
Cash and cash equivalents	1,378	92	258	614	2,342
Other investments	832	-	-	-	832
Trade receivables	30,518	891	4,120	1,806	37,335
Other assets	190	-	66	324	580
Total	**32,928**	**983**	**4,444**	**2,744**	**41,089**
Liabilities					
Trade and other payables	2,074	680	-	130	2,884
Long-term borrowings	9,946	-	113	-	10,059
Short-term borrowings	13,846	5,768	3,104	-	22,718
Other liabilities	6,923	295	1,365	1,005	9,588
Total	**32,789**	**6,743**	**4,582**	**1,135**	**45,249**

[1] Others include currencies such as UK pounds sterling, Swiss francs and Venezuelan bolivars.

For the years ended 31 March 2017 and 31 March 2016, every 10% depreciation/appreciation in the exchange rate between the Indian rupee and the respective currencies for the above mentioned financial assets/liabilities would affect the Company's net profit by ₹ 316 and ₹ 416, respectively.

Further, in February 2016, the Venezuelan government announced changes to its foreign currency exchange mechanisms, including the devaluation of its official exchange rate. Refer note 2.44 of these consolidated financial statements for further details.

Interest rate risk

As of 31 March 2017, the Company had ₹ 41,407 of loans carrying a floating interest rate ranging from LIBOR minus 30 bps to LIBOR plus 82.7 bps and the Treasury Bill plus 30 bps. As of 31 March 2016, the Company had ₹ 29,552 of foreign currency loans carrying a floating interest rate of LIBOR minus 5 bps to LIBOR plus 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.

For details of the Company's short-term and long-term loans and borrowings, including interest rate profiles, refer to note 2.8 A and B of these consolidated financial statements.

For the years ended 31 March 2017 and 31 March 2016, every 10% increase or decrease in the floating interest rate component (i.e., LIBOR) applicable to its loans and borrowings would affect the Company's net profit by ₹ 46 and ₹ 12, respectively.

The Company's investments in term deposits (i.e., certificates of deposit) with banks and short-term liquid mutual funds are for short durations, and therefore do not expose the Company to significant interest rates risk.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.34 FINANCIAL RISK MANAGEMENT (CONTINUED)

Commodity price 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. As of 31 March 2017, the Company had not entered into any material derivative contracts to hedge exposure to fluctuations in commodity prices.

2.35 CONTINGENT LIABILITIES AND COMMITMENTS

A. Contingent liabilities (claims against the company not acknowledged as debts)

The Company is involved in 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. The more significant matters are discussed below. Most of the claims involve complex issues. Often, these issues are subject to uncertainties and therefore the probability of a loss, if any, being sustained and an estimate of the amount of any loss is difficult to ascertain. Consequently, for a majority of these claims, it is not possible to make a reasonable estimate of the expected financial effect, if any, that will result from ultimate resolution of the proceedings. This is due to a number of factors, including: the stage of the proceedings (in many cases trial dates have not been set) and the overall length and extent of pre-trial discovery; the entitlement of the parties to an action to appeal a decision; clarity as to theories of liability; damages and governing law; uncertainties in timing of litigation; and the possible need for further legal proceedings to establish the appropriate amount of damages, if any. In these cases, the Company discloses information with respect to the nature and facts of the case. The Company also believes that disclosure of the amount sought by plaintiffs, if that is known, would not be meaningful with respect to those legal proceedings.

Although there can be no assurance regarding the outcome of any of the legal proceedings or investigations referred to in this note, the Company does not expect them to have a materially adverse effect on its financial position, as it believes that the likelihood of loss in excess of amounts accrued (if any) is not probable. However, if one or more of such proceedings were to result in judgments against the Company, such judgments could be material to its results of operations in a given period.

(i) Product and patent related matters

Matters relating to National Pharmaceutical Pricing Authority

Norfloxacin, India litigation

The Company manufactures and distributes Norfloxacin, a formulations product, and in limited quantities, the active pharmaceutical ingredient norfloxacin. Under the Drugs Prices Control Order (the "DPCO"), the National Pharmaceutical Pricing Authority (the "NPPA") established by the Government of India had the authority to designate a pharmaceutical product as a "specified product" and fix the maximum selling price for such product. In 1995, the NPPA issued a notification and designated Norfloxacin as a "specified product" and fixed the maximum selling price. In 1996, the Company filed a statutory Form III before the NPPA for the upward revision of the maximum selling price and a writ petition in the Andhra Pradesh High Court (the "High Court") challenging the validity of the designation on the grounds that the applicable rules of the DPCO were not complied with while fixing the maximum selling price. The High Court had previously granted an interim order in favor of the Company; however it subsequently dismissed the case in April 2004.

The Company filed a review petition in the High Court in April 2004 which was also dismissed by the High Court in October 2004. Subsequently, the Company appealed to the Supreme Court of India, New Delhi (the "Supreme Court") by filing a Special Leave Petition.

During the year ended 31 March 2006, the Company received a notice from the NPPA demanding the recovery of the price charged by the Company for sales of Norfloxacin in excess of the maximum selling price fixed by the NPPA, which was ₹ 285 including interest. The Company filed a writ petition in the High Court challenging this demand order. The High Court admitted the writ petition and granted an interim order, directing the Company to deposit 50% of the principal amount claimed by the NPPA, which was ₹ 77. The Company deposited this amount with the NPPA in November 2005. In February 2008, the High Court directed the Company to deposit an additional amount of ₹ 30, which was deposited by the Company in March 2008. In November 2010, the High Court allowed the Company's application to include additional legal grounds that the Company believed strengthened its defense against the demand. For example, the Company added as grounds that trade margins should not be included in the computation of amounts overcharged, and that it was necessary for the NPPA to set the active pharmaceutical ingredient price before the process of determining the ceiling on the formulation price. In October 2013, the Company filed an additional writ petition before the Supreme Court challenging the inclusion of Norfloxacin as a "specified product" under the DPCO. In January 2015, the NPPA filed a counter affidavit stating that the inclusion of Norfloxacin was based upon the recommendation of a committee consisting of experts in the field. On 20 July 2016, the Supreme Court remanded the matters concerning the inclusion of Norfloxacin as a "specified product" under the DPCO back to the High Court for further proceedings.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.35 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

During the three months ended 30 September 2016, the Supreme Court dismissed the Special Leave Petition pertaining to the fixing of prices for Norfloxacin formulations.

During the three months ended 31 December 2016, a writ petition pertaining to Norfloxacin was filed by the Company with the Delhi High Court. Such writ petition is pending for admission.

Based on its best estimate, the Company has recorded a provision for potential liability for sale proceeds in excess of the notified selling prices, including the interest thereon, and believes that the likelihood of any further liability that may arise on account of penalties pursuant to this litigation is not probable.

Litigation relating to Cardiovascular and Anti-diabetic formulations

In July 2014, the NPPA, pursuant to guidelines issued in May 2014 and the powers granted by the Government of India under the Drugs (Price Control) Order, 2013, issued certain notifications regulating the prices for 108 formulations in the cardiovascular and anti-diabetic therapeutic areas. The Indian Pharmaceutical Alliance ("IPA"), in which the Company is a member, filed a writ petition in the Bombay High Court challenging the notifications issued by the NPPA on the grounds that they were ultra vires, ex facie and ab initio void. The Bombay High Court issued an order to stay the writ in July 2014. On 26 September 2016, the Bombay High Court dismissed the writ petition filed by the IPA and upheld the validity of the notifications/orders passed by the NPPA in July 2014. Further, on 25 October 2016, the IPA filed a Special Leave Petition with the Supreme Court, which was dismissed by the Supreme Court.

During the three months ended 31 December 2016, the NPPA issued show-cause notices relating to a few products of the Company for recovery of the allegedly overcharged amounts. The Company has responded to these notices.

On 20 March 2017, the IPA filed an application before the Bombay High Court for the recall of the judgement of the High Court dated 26 September 2016 on the grounds that certain information important for the determination of the issue was not disclosed by the counsel representing the Union of India during the proceedings before the Bombay High Court.

On 26 April 2017, the Bombay High Court heard the recall application and directed the matter to the same bench of judges of the Bombay High Court which passed the original judgement on 26 September 2016. Further, it also directed the Union of India and others to file their reply.

During the three months ended 31 March 2017, the NPPA issued demand notices to the Company relating to the foregoing products for the allegedly overcharged amounts, along with interest. The Company has responded to these notices.

Based on its best estimate, the Company has recorded a provision of ₹ 374 under "other selling expenses" as a potential liability for sale proceeds in excess of the notified selling prices, including the interest thereon, and believes that the likelihood of any further liability that may arise on account of penalties pursuant to this litigation is not probable.

In the event the Government of India pursues litigation against the Company on the aforementioned NPPA matters for the excess sales proceeds and the Company is unsuccessful in such litigation, it will be required to remit the sale proceeds in excess of the notified selling prices to the Government of India with interest and could potentially include penalties, which amounts are not readily ascertainable.

Other Product and patent related matters

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 wholly-owned 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 a manner 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 settlement with the class plaintiffs was subject to the Court's approval. Under the terms of the settlement, the Company made no payment to the class plaintiffs. Other defendants went to trial and prevailed.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.35 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

On 21 November 2016, the First Circuit Court of Appeals affirmed the judgment that had been entered in favor of the defendants who tried the case to a verdict. On 10 January 2017, the First Circuit Court of Appeals denied the motions for reconsideration.

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.

The Company believes that the likelihood of any liability that may arise on account of lawsuits of the plaintiffs who opted out of the class action is not probable. Accordingly, no provision has been made in these consolidated financial statements.

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 had violated the Consumer Product Safety Act (the "CPSA") and the Poison Prevention Packaging Act (the "PPPA") and that the CPSC intended to seek civil penalties. Specifically, the CPSC asserted, among other things, that from or about 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.

Simultaneously, the U.S. Department of Justice (the "DOJ") began to investigate a sealed complaint which was filed in the United States District Court for the Eastern District of Pennsylvania under the Federal False Claims Act ("FCA") related to these same issues (the "FCA Complaint"). The Company cooperated with the DOJ in its investigation. The DOJ and all States involved in the investigation declined to intervene in the FCA Complaint. On 10 November 2015, the FCA Complaint was unsealed and the plaintiff whistleblowers, who are two former employees of the Company, have proceeded without the DOJ's and applicable States' involvement. The unsealed FCA Complaint relates to the 6 blister pack products originally subject to the investigation and also 38 of the Company's generic prescription products sold in the U.S. in various bottle and cap packaging. The Company filed its response to the FCA Complaint on 23 February 2016 in the form of a motion to dismiss for failure to state a claim upon which relief can be granted. On 26 March 2017, the Court granted the Company's motion to dismiss, dismissing the FCA Complaint and allowing the plaintiffs one more chance to refile this complaint in an attempt to plead sustainable allegations. On 29 March 2017, the plaintiffs filed their final amended FCA Complaint, which the Company intends to vigorously oppose and seek permanent dismissal of this amended FCA Complaint with prejudice.

Although the DOJ and applicable States have declined to intervene in the FCA Complaint filed by the plaintiffs, the parallel investigation by the CPSC under the CPSA and the PPPA was referred by the CPSC to the DOJ's office in Washington, D.C. in April 2016, with the recommendation that the DOJ initiate a civil penalty action against the Company. The CPSC matter referred to the DOJ relates to five of the blister pack products. An unfavorable outcome in these matters could result in liabilities which could have a material adverse effect on the Company.

Namenda United States Litigations

In August 2015, Sergeants Benevolent Assoc. Health & Welfare Fund ("Sergeants") filed suit against the Company in the United States District Court for the Southern District of New York. Sergeants alleged that certain parties, including the Company, violated federal antitrust laws as a consequence of having settled patent litigation related to the Alzheimer's drug Namenda® (memantine) tablets during a period from about 2009 until 2010. Sergeants seeks to represent a class of "end-payor" purchasers of Namenda® tablets (i.e., insurers, other third-party payors and consumers).

Sergeants seeks damages based upon an allegation made in the complaint that the defendants entered into patent settlements regarding Namenda® tablets for the purpose of delaying generic competition and facilitating the brand innovator's attempt to shift sales from the original immediate release product to the more recently introduced extended release product. The Company believes that the complaint lacks merit and that the Company's conduct complied with all applicable laws and regulations.

All defendants, including the Company, moved to dismiss the claims. On 13 September 2016, the Court denied these motions. However, the Sergeants case is stayed pending resolution of similar claims in another case in which the Company is not a party (JM Smith Corp. v. Actavis PLC). The parties in the JM Smith case have served the Company with subpoenas seeking specified documents, and the Company has produced documents in response to the subpoenas. The parties have also served the Company with subpoenas seeking deposition testimony.

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 forth in the class action complaints, but the Company was not named as a party. The case brought by the State of New York was dismissed by stipulation on 30 November 2015.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.35 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

The Company believes that the likelihood of any liability that may arise on account of alleged violation of federal antitrust laws is not probable. Accordingly, no provision has been made in these consolidated financial statements.

Class Action and Other Civil Litigation on Pricing/Reimbursement Matters

On 30 December 2015 and on 4 February 2016, respectively, a class action complaint and another complaint (not a class action) were filed against the Company and eighteen other pharmaceutical defendants in State Court in the Commonwealth of Pennsylvania. In these actions, the class action plaintiffs allege that the Company and other defendants, individually or in some cases in concert with one another, have engaged in pricing and price reporting practices in violation of various Pennsylvania state laws. More specifically, the plaintiffs allege that: (1) the Company provided false and misleading pricing information to third party drug compendia companies for the Company's generic drugs, and such information was relied upon by private third party payers that reimbursed for drugs sold by the Company in the United States, and (2) the Company acted in concert with certain other defendants to unfairly raise the prices of generic divalproex sodium ER (bottle of 80, 500 mg tablets ER 24H) and generic pravastatin sodium (bottle of 500, 10 mg tablets). The Company disputes these allegations and intends to vigorously defend against these allegations.

Further, on 17 November 2016, certain class action complaints were filed against the Company and a number of other pharmaceutical companies as defendants in the United States District Court for the Eastern District of Pennsylvania. These complaints allege that the Company and the other named defendants have engaged in a conspiracy to fix prices and to allocate bids and customers in the sale of pravastatin sodium tablets and divalproex sodium extended-release tablets in the United States. The Company denies any wrongdoing and intends to vigorously defend against these allegations.

The Company believes that the likelihood of any liability that may arise on account of any of these complaints is not probable. Accordingly, no provision has been made in these consolidated financial statements.

Civil litigation with Mezzion

On 13 January 2017, Mezzion Pharma Co. Ltd. and Mezzion International LLC (collectively, "Mezzion") filed a complaint in the New Jersey Superior Court against the Company and its wholly owned subsidiary in the United States. The complaint pertains to the production and supply of the active pharmaceutical ingredient ("API") for "udenafil'' (a patented compound) and an udenafil finished dosage product during a period from calendar years 2007 to 2015. Mezzion alleges that the Company failed to comply with the U.S. FDA's current Good Manufacturing Practices ("cGMP") at the time of manufacture of the API and finished dosage forms of udenafil and, consequently, that this resulted in a delay in the filing of a NDA for the product by Mezzion. The Company denies any wrongdoing or liability in this regard, and intends to vigorously defend against the claims asserted in Mezzion's complaint. Accordingly, no provision was made in the consolidated financial statements of the Company.

(ii) Environmental matters

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 Bollarum 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, Bollarum 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 likelihood 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.

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 (the "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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.35 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

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.

(iii) Indirect taxes related matters

Distribution of input service tax credits

The Central Excise Authorities have issued various demand 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 such demand notice, the amount demanded and the current status of the Company's responsive actions.

PERIOD COVERED UNDER THE NOTICE	AMOUNT DEMANDED	STATUS
March 2008 to September 2009	₹ 102 plus penalties of ₹ 102 and interest	The Company has filed an appeal before the CESTAT.
October 2009 to March 2011	₹ 125 plus penalties of ₹ 100 and interest	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 the in process of submitting an appeal before the CESTAT.

The Company believes that the likelihood 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 these consolidated financial statements as of 31 March 2017.

Value Added Tax ("VAT") matter

The Company has received various demand 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 demand notice, the amount demanded and the current status of the Company's responsive actions.

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 favor of the Company.

The Company has recorded a provision of ₹ 27 as of 31 March 2017, and believes that the likelihood 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 demand notices from the Indian Sales and Service Tax authorities. The disputed amount is ₹ 174. The Company has responded to such 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 2017.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.35 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

(iv) Fuel Surcharge Adjustments

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 ₹ 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 2017, 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.

During the three months ended 30 June 2016, the Supreme Court of India dismissed the Special Leave Petition filed by the Company in this regard for the period from 1 April 2012 to 31 March 2013. As a result the Company recognised an expenditure of ₹ 55 (by de-recognising the payments under protest) representing the FSA charges for the period from 1 April 2012 to 31 March 2013.

(v) 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 accordingly filed an appeal with the Income Tax Appellate Authorities. On 28 April 2017, the Income Tax Appellate Tribunal of Hyderabad issued a judgment in favor of the Company confirming the Company's position.

Additionally, the Company is contesting various other disallowances by the Indian Income Tax authorities. The associated tax impact is ₹ 1,555. The Company believes that the chances of an unfavorable outcome in each of such disallowances are less than probable and, accordingly, no provision is made in these consolidated financial statements as of 31 March 2017.

During the years ended 31 March 2014, 31 March 2015 and 31 March 2016, Industrias Quimicas Falcon de Mexico, S.A. de CV, a wholly-owned subsidiary of the Company in Mexico, received a notice from Mexico's Tax Administration Service, Servicio de Administracion Tributaria ("SAT"), with respect to disallowance on account of transfer pricing adjustments pertaining to the calendar years ended 31 December 2006, 31 December 2007 and 31 December 2008. The associated tax impact is ₹ 647 (MXN 187.4 million) and the Company has filed administrative appeals with SAT by challenging these disallowances. During February and March 2017, the Company received orders of the SAT confirming the said disallowance by disposing administrative appeals filed earlier. The Company disagrees with the SAT's disallowance and filed an appeal with the Tribunal Federal de Justicia Administrativa (Federal Tax and Administrative Court of Mexico) in March and April 2017. The Company believes that possibility of any liability that may arise on account of this litigation is not probable. Accordingly, no provision has been made in these consolidated financial statements as at 31 March 2017.

The Company believes that the likelihood of any liability that may arise on account of this litigation is not probable. Accordingly, no provision has been made in these consolidated financial statements as of 31 March 2017.

(vi) Others

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

PARTICULARS	AS AT 31 MARCH 2017	AS AT 31 MARCH 2016	AS AT 1 APRIL 2015
Estimated amounts of contracts remaining to be executed on capital account and not provided for (net of advances)	5,256	5,065	4,173

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.36 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 commercialise 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 commercialisation 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 17,120,131 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). Such shares were initially subject to a lock-up agreement. However, as of 31 March 2017, lock-up restrictions were released on all of the aforementioned 17,120,131 shares. 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 fair value of the shares of Curis common stock on the date of the Stock Purchase Agreement was ₹ 1,452 (US$ 23.5 million).

Revenues under the Collaboration Agreement consist of upfront consideration (including the shares of Curis common stock) and the development and commercial milestone payments described below, which are deferred and recognised 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 US$ 52.5 million per program, including US$ 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 US$ 50 million per program, including US$ 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 US$140.5 million per program, including US$ 87.5 million for approval and commercial milestones, plus pre-specified approval milestone payments for additional indications, if any.

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

On 7 September 2016, the Collaboration Agreement was amended to provide for the issuance to Aurigene of 10,208,333 additional shares of Curis common stock in lieu of receiving up to US$ 24.5 million of milestone and other payments from Curis that could have become due under the Collaboration Agreement. These shares of Curis common stock are recorded at US$ 1.84 per share, which is equal to the market price of such shares of common stock on the date of issuance, amounting to an aggregate market value of ₹ 1,247 (US$ 18.8 million).

These additional shares are also subject to a lock-up agreement, which is similar to the lock-up for the original Curis shares the Company received. However, this lock-up remains effective until 7 September 2018, with shares being released from such lock-up in 25% increments on each of 7 March 2017, 7 September 2017, 7 March 2018 and 7 September 2018, subject to acceleration of release of all the shares in connection with a change of control of Curis. As of 31 March 2017, lock-up restrictions were released on an aggregate of 2,552,083 of such additional shares of Curis common stock, representing 25% of the shares which Aurigene received from Curis in 2016.

The Company has evaluated the transaction under Ind AS 28, "Investments in associates and Joint Ventures," and believes that the Company does not have any significant influence with respect to Curis. Accordingly, all of the shares of Curis common stock are classified as investmnets at fair value through OCI at every reporting date. Accordingly, gain of ₹ 2,228 arising from changes in the fair value of such shares of common stock was recorded in other comprehensive income as of 31 March 2017.

This arrangement is accounted for as a joint operation under Ind AS 111.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.37 AGREEMENT WITH MERCK SERONO

On 6 June 2012, the Company and the biosimilars division of Merck KGaA, Darmstadt, Germany, formerly known as Merck Serono (hereinafter, "Merck KGaA"), entered into a collaboration agreement to co-develop a portfolio of biosimilar compounds in oncology, primarily focused on monoclonal antibodies. The arrangement covers co-development, manufacturing and commercialization of the compounds around the globe, with some specific country exceptions. During the year ended 31 March 2016, the collaboration agreement was amended to rearrange and realign the development of compounds, territory rights and royalty payments. Both parties will undertake commercialization based on their respective regional rights as defined in the agreement. The Company will lead and support early product development towards or including Phase I development. Merck KGaA will carry out manufacturing of the compounds and will lead further development for its territories. In its exclusive and co-exclusive territories, the Company will carry out its own development, wherever applicable, for commercialization. As per the original collaboration agreement, the Company will continue to receive royalty payments upon commercialization by Merck KGaA in its territories.

During the three months ended 31 December 2015, the Company received from Merck KGaA certain amounts relating to its share of development costs and other amounts linked to the achievement of milestones for the development of compounds under the collaboration agreement, as amended.

Furthermore, during the three months ended 31 December 2016, the Company received from Merck KGaA payments of US$ 1 million towards achievement of a milestone for the development of a compound under the collaboration agreement.

On 24 April 2017, Fresenius SE & Co. KGaA and Merck KGaA announced thet Fresenius Kabi will acquire Merck's Biosimilars business. The transaction is subject to regulatory approvals and other customary closing conditions and is expected to close in the second half of calender year 2017. Upon completion of the transaction, the Company's collaboration will continue as planned, with Fresenius Kabi.

2.38 ACQUISITION OF SELECT PRODUCTS 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 included 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, payable in cash. The acquisition was closed on 16 June 2015. The Company has accounted for the transaction under Ind AS 103, "Business Combinations," and allocated the aggregate purchase consideration as follows:

PARTICULARS	AMOUNT
Total consideration	8,000
Identifiable assets acquired	
Property, plant and equipment	6
Other intangible assets:	
Product related intangibles	6,734
Marketing rights	743
Current assets, net of current liabilities assumed	194
Total identifiable net assets	**7,677**
Goodwill	**323**

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. The entire amount of goodwill is deductible for tax purposes.

Out of the total purchase consideration of ₹ 8,000, the Company has paid ₹ 7,936 to UCB as of 31 March 2017.

2.39 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, which was 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 recognised 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. As a result of such arrangement, Aurigene paid to Pierre Fabre a portion of the upfront consideration received and retained and recognised the remaining upfront consideration as revenue, as there are no pending performance obligations.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.40 ASSET PURCHASE AGREEMENT WITH HATCHTECH PTY LIMITED

On 7 September 2015, the Company entered into an asset purchase agreement with Hatchtech Pty Limited ("Hatchtech") for the purchase of intellectual property rights to an innovative prescription head lice product, Xeglyze™ Lotion. The exclusive rights for this product are applicable for the territories of the United States, Canada, India, Russia and other countries of the former Soviet Union, Australia, New Zealand and Venezuela.

As partial consideration for the purchase of these assets, the Company paid Hatchtech an upfront amount of ₹ 606. In addition to the foregoing payments, the Company is also required to pay certain development and commercial milestone related payments to Hatchtech for purchase of these assets.

As of 31 March 2017, the Company has paid Hatchtech development milestone payments of ₹ 390.

The acquisition of asset was classified as "intangible assets under development". As the intangible asset is not yet available for use, it is not subject to amortisation.

The carrying amount of the intangible asset as on 31 March 2017 was ₹ 993.

2.41 ASSET PURCHASE AGREEMENT WITH ALCHEMIA

In 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 net consideration of ₹ 1,158 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.

The carrying amount of the intangible asset as on 31 March 2017 was ₹ 727.

2.42 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.

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 2017 was ₹ 3,470.

2.43 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 current Good Manufacturing Practice ("cGMP") deviations at its active pharmaceutical ingredient ("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. The contents of the warning letter emanated from Form 483 observations that followed 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. During the years ended 31 March 2016 and 31 March 2017, U.S. FDA withheld approval of new products fro, these facilities pending resolution of the issues identified in the warning letter. To minimise the business impact, the Company transferred certain key products to alternate manufacturing facilities.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.43 RECEIPT OF WARNING LETTER FROM THE U.S. FDA (CONTINUED)

Subsequent to the issuance of the warning letter, the Company promptly instituted corrective actions and preventive actions and submitted a comprehensive response to the warning letter to the U.S. FDA, followed by periodic written updates and in-person meetings with the U.S. FDA. The U.S. FDA completed the re-inspection of the aforementioned manufacturing facilities in the months of March and April 2017. During the re-inspections, the U.S. FDA issued three observations with respect to the API manufacturing facility at Miryalaguda, two observations with respect to the API manufacturing facility at Srikakulam and thirteen observations with respect to the Oncology formulation manufacturing facility. The Company has responded to these observations identified by the U.S. FDA, and believes that it can resolve them satisfactorily in a timely manner.

2.44 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.

Overhaul of the exchange rate system in Venezuela

In February 2015, the Venezuelan government launched an overhaul of its then existing exchange rate system and introduced a new exchange rate mechanism. The Marginal Currency System (known as "SIMADI") was the third tier in the new three-tier exchange rate regime and allowed 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 (known as "SICAD") was introduced with an initial rate of 12 VEF per US$ 1.00. The first tier (known as "CENCOEX"), the official exchange rate, was unchanged and sold dollars at 6.3 VEF per US$ 1.00 for preferential goods.

In February 2016, the Venezuelan government announced further 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 US$ 1.00 to 10 VEF per US$ 1.00.
- The SICAD exchange rate mechanism, which last auctioned US$ for 13 VEF per US$ 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 US$ 1.00.

During the year ended 31 March 2016, the Company received approvals from the Venezuelan government for remittance of only US$ 4 million towards the importation of pharmaceutical products at the CENCOEX preferential rate.

The Company fully considered all the aforesaid developments, facts and circumstances and, following the guidance available in Ind AS 21, determined that it was appropriate to use the SIMADI/DICOM rate for translating the monetary assets and liabilities of the Venezuelan subsidiary as at various reporting dates. Tabulated below was the impact of the foregoing on the financial statements of the Company as at 31 March 2015 and 2016:

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2015	FOR THE YEAR ENDED 31 MARCH 2016
Foreign exchange loss due to currency devaluation and translation of monetary assets and liabilities using SIMADI / DICOM rate	843	4,621
Impact of inventory write down and reversal of export incentives	-	341
Impairment of property, plant and equipment and capital work in progress	-	123
Total	843	5,085

Update during the year ended 31 March 2017

Revenues for the year ended 31 March 2017 and 31 March 2016 were ₹ 17 (VEF 162 million) and ₹ 4,666 (VEF 457 million), respectively. During the year ended 31 March 2017, the Company received approvals from the Venezuelan government to repatriate US$ 0.4 million at the preferential rate of 10 VEF per US$ 1.00.

Consistent with the position taken as on 31 March 2016, the Company applied the DICOM rate for translating the financial statements of the Venezuelan subsidiary for the year ended 31 March 2017. As a result, foreign exchange loss of ₹ 41 was recognised for the year ended 31 March 2017. As of 31 March 2017, the DICOM rate was VEF 707.95 per US$ 1.00. Notwithstanding the ongoing uncertainty, the Company continues to actively engage with the Venezuelan Government and seek approval to repatriate funds at the preferential rate.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.45 LICENSE AGREEMENT WITH XENOPORT

On 28 March 2016, the Company and XenoPort, Inc. ("XenoPort") entered into a license agreement pursuant to which the Company was granted exclusive U.S. rights for the development and commercialization of XenoPort'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.

The transaction was 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.

Upon the completion of all closing conditions, in May 2016, the Company paid ₹ 3,159 as an up-front payment and an additional ₹ 169 for the transfer of certain clinical trial materials as per the terms of the agreement.

In addition to the up-front payment, XenoPort will also be eligible to receive up to US$ 190 million upon the achievement by the Company of certain regulatory milestones, which could be achieved over a period of several years. Further, XenoPort will be eligible to receive up to US$ 250 million upon the achievement by the Company of certain commercial milestones, and up to mid-teens percentage rate royalty payments based on the Company's net sales of the product in the United States.

The upfront consideration has been classified as an acquisition of "intangible assets under development". As the intangible asset is not yet available for use, it is not subject to amortisation. Consideration paid for the purchase of clinical trial materials is recognised as an expense in these financial statements for the year ended 31 March 2017.

The carrying amount of the intangible asset as on 31 March 2017 was ₹ 3,108.

2.46 ASSET PURCHASE AGREEMENT WITH DUCERE PHARMA LLC

On 23 May 2016, the Company entered into and consummated an asset purchase agreement with Ducere Pharma LLC for the purchase of certain pharmaceutical brands for a total consideration of ₹ 1,148. The acquisition is expected to strengthen the Company's presence in the dermatology, cough-and-cold and pain therapeutic areas forming part of the Company's over-the-counter ("OTC") business in the United States.

The Company recorded the acquisition of these brands as trademarks. The Company estimated that the useful life of these brands is 15 years.

The carrying value of these intangibles as on 31 March 2017 was ₹ 1,052.

2.47 ASSET PURCHASE AGREEMENT WITH TEVA PHARMACEUTICAL INDUSTRIES LIMITED

On 10 June 2016, the Company entered into a definitive purchase agreement with Teva Pharmaceutical Industries Limited ("Teva") and an affiliate of Allergan plc ("Allergan") to acquire eight Abbreviated New Drug Applications ("ANDAs") in the United States for US$ 350 million in cash at closing. The acquired products were divested by Teva as a precondition to the closing of its acquisition of Allergan's generics business. The acquisition of these ANDAs was also contingent on the closing of the Teva/Allergan generics purchase transaction and approval by the U.S. Federal Trade Commission.

The acquisition was consummated on 3 August 2016 upon the completion of all closing conditions, and the Company paid US$ 350 million as the consideration for the acquired ANDAs.

Tabulated below are the details of products acquired and the respective purchase prices:

PARTICULARS OF THE ANDA	US$ MILLION	AMOUNT IN ₹
Ethinyl estradiol/Ethonogestrel Vaginal Ring (a generic equivalent to NuvaRing®)	185	12,351
Buprenorphine HCl/Naloxone HCl Sublingual Film (a generic equivalent to Suboxone® sublingual film)	70	4,673
Ramelteon Tablets (a generic equivalent to Rozerem®)	34	2,270
Others	61	4,072
Total	**350**	**23,366**

The Company recorded the aforesaid acquisition of these ANDAs as "intangible assets under development". As these ANDAs are not available for use yet, they are not subject to amortisation. The aforesaid acquisition forms part of Company's Global Generics segment.

The carrying value of these intangibles as on 31 March 2017 was ₹ 22,870.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.48 AGREEMENT WITH GLAND PHARMA LIMITED

On 29 November 2016, the Company entered into an agreement with Gland Pharma Limited ("Gland") to license, market and distribute eight injectable ANDAs. Pursuant to the arrangement, the Company will pay Gland US$ 6.8 million as consideration for in-licensing the aforesaid eight ANDAs upon completion of certain milestones by Gland.

The carrying value of the intangible as on 31 March 2017 was ₹ 212.

2.49 CHANGE IN THE FUNCTIONAL CURRENCY OF A FOREIGN OPERATION

Until 31 July 2016, the functional currency of Dr. Reddy's Laboratories, SA, one of the Company's subsidiaries in Switzerland (the "Swiss Subsidiary"), was determined to be the Indian rupee. During the three months ended 30 September 2016, the Swiss Subsidiary borrowed US$350 from certain institutional lenders to acquire eight ANDAs in the United States (Refer note 2.47). The Company believes that the aforesaid transactions had significant impact on the primary economic environment of the Swiss Subsidiary and, accordingly, the Swiss Subsidiary's operating, investing and financing activities will have a greater reliance on the United States dollar.

Accordingly, effective 1 August 2016, the functional currency of the Swiss Subsidiary was changed to the United States dollar. The change in functional currency of the Swiss subsidiary was applied prospectively from date of change in accordance with Ind AS 21, "The Effect of Changes in Foreign Exchange Rate".

2.50 BUYBACK OF EQUITY SHARES

The Board of Directors of the Company, in their meeting held on 17 February 2016, approved a proposal to buy back equity shares of the Company, subject to approval by the Company's shareholders, for an aggregate amount not exceeding ₹ 15,694 and at a price not exceeding ₹ 3,500 per equity share. The plan involved the purchase of such shares from 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 were required to 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's shareholders approved the buyback plan on 1 April 2016, and implementation of the buyback plan commenced on 18 April 2016 and ended on 28 June 2016.

Under this plan, the Company bought back and extinguished 5,077,504 equity shares for an aggregate purchase price of ₹ 15,694. The aggregate face value of the equity shares bought back was ₹ 25.

2.51 CAPITAL MANAGEMENT

For the purposes of the Company's capital management, capital includes issued capital and all other equity reserves. The primary objective of the Company's capital management is to maximise shareholder value. The Company manages it's capital structure and makes adjustments in the light of changes in economic environment and the requirements of the financial covenants. The Company monitors capital using gearing ratio, which is total debt divided by total capital plus debt.

The capital gearing ratio as on 31 March 2017 and 31 March 2016 was 29% and 21%, respectively.

2.52 AUDIT OF FINANCIAL STATEMENTS

The figures for the year ended 31 March 2016 were audited by previous statutory auditors.

2.53 SUBSEQUENT EVENTS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.54 RECENT ACCOUNTING PRONOUNCEMENTS

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

Amendment to Ind AS 7, Statement of Cash flows

The amendment to Ind AS 7 requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement. The Company is in the process of evaluating the impact of the aforementioned requirement on the financial statements of the Company.

Amendment to Ind AS 102, Share-based payment

The amendment to Ind AS 102 provides specific guidance to measurement of cash-settled awards, modification of cash-settled awards and awards that include a net settlement feature in respect of withholding taxes.

It clarifies that the fair value of cash-settled awards is determined on a basis consistent with that used for equity settled awards. Market-based performance conditions and non-vesting conditions are reflected in the 'fair values', but non-market performance conditions and service vesting conditions are reflected in the estimate of the number of awards expected to vest. Also, the amendment clarifies that if the terms and conditions of a cash-settled share-based payment transaction are modified with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as such from the date of the modification.

Further, the amendment requires the award that includes a net settlement feature in respect of withholding taxes to be treated as equity-settled in its entirety. The cash payment to the tax authority is treated as if it was part of an equity settlement.

The Company is in the process of evaluating the impact of the aforementioned requirement on the financial statements of the Company.

As per our report of even date attached
for S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm registration number: 101049W/E300004

per Kaustav Ghose
Partner
Membership No. : 57828
Place : Hyderabad
Date : 12 May 2017

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

IFRS CONSOLIDATED FINANCIAL STATEMENTS

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 2017 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.

The extract of the consolidated financial statements prepared under IFRS has been provided here under.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

All amounts in Indian Rupees millions, except share data and per share data

PARTICULARS	AS OF 31 MARCH 2017	AS OF 31 MARCH 2016
ASSETS		
Current assets		
Cash and cash equivalents	3,866	4,921
Other investments	14,270	35,034
Trade and other receivables	38,065	41,306
Inventories	28,529	25,578
Derivative financial instruments	262	175
Current tax assets	3,413	1,664
Other current assets	11,970	11,010
Total current assets	**100,375**	**119,688**
Non-current assets		
Property, plant and equipment	57,160	53,961
Goodwill	3,752	3,848
Other intangible assets	44,925	20,796
Trade and other receivables – non-current	206	-
Investment in equity accounted investees	1,603	1,309
Other investments – non-current	5,237	1,988
Deferred tax assets	5,580	4,997
Other non-current assets	983	1,063
Total non-current assets	**119,446**	**87,962**
Total assets	**219,821**	**207,650**
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	13,417	12,300
Derivative financial instruments	10	108
Current tax liabilities	1,483	2,581
Bank Overdraft	87	-
Short-term borrowings	43,539	22,718
Long-term borrowings, current portion	110	110
Provisions	4,509	4,759
Other current liabilities	21,845	22,070
Total current liabilities	**85,000**	**64,646**
Non-current liabilities		
Long-term borrowings, excluding current portion	5,449	10,685
Provisions – non-current	47	55
Deferred tax liabilities	1,204	767
Other non-current liabilities	4,077	3,161
Total non-current liabilities	**10,777**	**14,668**
Total liabilities	**95,777**	**79,314**
Equity		
Share capital	829	853
Share premium	7,359	22,601
Share based payment reserve	998	1,100
Retained earnings	108,224	99,550
Other components of equity	6,634	4,232
Total equity	**124,044**	**128,336**
Total liabilities and equity	**219,821**	**207,650**

CONSOLIDATED INCOME STATEMENTS

All amounts in Indian Rupees millions, except share data and per share data

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
Revenues	140,809	154,708	148,189
Cost of revenues	62,453	62,427	62,786
Gross profit	78,356	92,281	85,403
Selling, general and administrative expenses	46,372	45,702	42,585
Research and development expenses	19,551	17,834	17,449
Other (income)/expense, net	(1,065)	(874)	(917)
Total operating expenses	64,858	62,662	59,117
Results from operating activities	13,498	29,619	26,286
Finance income	1,587	2,251	2,774
Finance expense	(781)	(4,959)	(1,092)
Finance (expense)/ income, net	806	(2,708)	1,682
Share of profit of equity accounted investees, net of tax	349	229	195
Profit before tax	14,653	27,140	28,163
Tax expense	2,614	7,127	5,984
Profit for the year	**12,039**	**20,013**	**22,179**
Attributable to:			
Equity holders of the Company	12,039	20,013	22,179
Non-controlling interest	-	-	-
Profit for the year	12,039	20,013	22,179
Earnings per share:			
Basic earnings per share of ₹ 5/- each	72.24	117.34	130.22
Diluted earnings per share of ₹ 5/- each	72.09	116.98	129.75
Weighted average number of equity shares used in computing earnings per equity share:			
Basic	166,648,943	170,547,643	170,314,506
Diluted	166,997,675	171,072,780	170,933,433

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

All amounts in Indian Rupees millions, except share data and per share data

PARTICULARS	FOR THE YEAR ENDED 31 MARCH 2017	FOR THE YEAR ENDED 31 MARCH 2016	FOR THE YEAR ENDED 31 MARCH 2015
Profit for the year	12,039	20,013	22,179
Other comprehensive income/(loss)			
Items that will not be reclassified to the consolidated income statement:			
Actuarial gains/(losses) on post-employment benefit obligations	(39)	(185)	(47)
Tax on items that will not be reclassified to the consolidated income statement	14	64	16
Total of items that will not be reclassified to the consolidated income statement	(25)	(121)	(31)
Items that may be reclassified subsequently to the consolidated income statement:			
Changes in fair value of available for sale financial instruments	2,209	(19)	1,429
Foreign currency translation adjustments	(339)	31	(196)
Effective portion of changes in fair value of cash flow hedges, net	968	966	99
Tax on items that may be reclassified subsequently to the consolidated income statement	(411)	(173)	(96)
Total of items that may be reclassified subsequently to the consolidated income statement	2,427	805	1,236
Other comprehensive income/(loss) for the year, net of tax	2,402	684	1,205
Total comprehensive income for the year	14,441	20,697	23,384
Attributable to:			
Equity holders of the Company	14,441	20,697	23,384
Non-controlling interest	-	-	-
Total comprehensive income for the year	**14,441**	**20,697**	**23,384**

GLOSSARY

ADR	American Depository Receipt	IMS	IMS Health Inc.
AGM	Annual General Meeting	Ind AS	Indian Accounting Standards
ANDA	Abbreviated New Drug Application	INR	Indian Rupees
API	Active Pharmaceutical Ingredient	IP	Intellectual Property
AS	Accounting Standards	IPA	Indian Pharmaceutical Alliance
BPE	Business Process Excellence	IPDO	Integrated Product Development Organisation
BR	Business Responsibility	IPO	Initial Public Offer
BSE	Bombay Stock Exchange	ISIN	International Securities Identification Number
CDM	Clean Development Mechanism	IT	Information Technology
CDP	Carbon Disclosure Project	JPY	Japanese Yen
CDSL	Central Depository Services (India) Limited	JWG	Joint Working Group
CEO	Chief Executive Officer	KARV	Kallam Anji Reddy Vidyalaya
CFO	Chief Financial Officer	KMP	Key Managerial Personnel
CHIP	Community Health Intervention Program	KPI	Key Performance Indicators
CHRO	Chief Human Resources Officer	KW	Kilo Watt
CII	Confederation of Indian Industry	LABS	Livelihood Advancement Business School
CIN	Corporate Identity Number	LED	Light Emitting Diode
CIS	Commonwealth of Independent States	LSSSDC	Life Sciences Sector Skill Development Council
COBE	Code Of Business Conduct and Ethics	M&A	Mergers and Acquisitions
COO	Chief Operating Officer	MC	Management Council
CPS	Custom Pharmaceutical Services	MD	Managing Director
CPCB	Central Pollution Control Board	MD&A	Management Discussion & Analysis
CSIM	Centre for Social Initiative and Management	MEO	Mandal Education Officer
CRL	Complete Response Letters	MT	Metric Tonne
CSR	Corporate Social Responsibility	MW	Mega Watt
CTO	Chemical Technical Operations	NAG	North America Generics
CUSIP	Committee on Uniform Security Identification Procedures	NCEs	New Chemical Entities
CY	Calendar Year	NCLT	National Company Law Tribunal
DIN	Director's Identification Number	NDA	New Drug Application
DISCOM	Distribution Company	NGO	Non-Governmental Organisation
DG sets	Diesel Generator sets	NHLP	New Horizons Leadership Program
DMF	Drug Master File	NLEM	National List of Essential Medicines
DP	Depository Participant	NPPA	National Pharmaceutical Pricing Authority
DRF	Dr. Reddy's Foundation	NSDL	National Securities Depository Limited
DRFHE	Dr. Reddy's Foundation for Health and Education	NSE	The National Stock Exchange of India Limited
EBITDA	Earnings Before Interest, Taxes, Depreciation And Amortisation	NVG	National Voluntary Guidelines
EGM	Extraordinary General Meeting	NYSE	New York Stock Exchange Inc.
EIR	Establishment Inspection Report	OP	Out Patient
EM	Emerging Markets	OTC	Over-the-counter
EPS	Earnings Per Share	OTIF	On Time In Full
ERM	Enterprise-wide Risk Management	PAT	Profit After Tax
ESOP	Employees Stock Option Plan	PBT	Profit Before Tax
ETP	Effluent Treatment Plant	PP	Proprietary Products
EUG	Europe Generics	PSAI	Pharmaceuticals Services and Active Ingredients
EUPATI	European Union patients academy for therapeutic innovation	PwD	People with Disablities
FAQ	Frequently Asked Questions	RD	Regional Director
FI	Financial Institutions	R&D	Research and Development
FII	Foreign Institutional Investor	RO	Reverse Omission
FIRM COUNCIL	Finance, Investment and Risk Management Council	RoCE	Return on Capital Employed
FPI	Foreign Portfolio Investor	RoW	Rest of World
FTO	Formulation Technical Operations	RTR	Refuse to receive
FY	Financial Year	SDF	Sludge Disposal Facility
GDP	Gross Domestic Product	SEBI	Securities and Exchange Board of India
GDR	Global Depository Receipt	SEC	Securities and Exchange Commission
GDUFA	Generics Drug User Fee Act	SEZ	Special Economic Zone
GG	Global Generics	SG&A	Selling, General and Administrative
GHG	Green House Gas	SHE	Safety, Health and Environment
GMP	Good Manufacturing Practices	SIP	School Improvement Program
GSK	GlaxoSmithKline	SMP	Senior Management Personnel
HR	Human Resources	SPCB	State Pollution Control Board
HVAC	Heat, Ventilation and Air Conditioning	SS	Secretarial Standards
HUF	Hindu Undivided Family	SOX	Sarbanes Oxley Act, 2002
HOC	Heat of Compression	TPA	Tonnes Per Annum
IACC	Indo American Chamber of Commerce	UK	United Kingdom
ICAI	Institute of Chartered Accountants of India	UNFCCC	United Nations Framework Convention on Climate Change
IDMA	Indian Drug Manufacturers Association	US/USA	United States of America
ICC	Internal Complaints Committee	USD/$	United States Dollar
ICOFR	Internal Control Over Financial Reporting	USFDA	United States Food and Drugs Administration
IEX	Indian Energy Exchange	UTI	Unit Trust of India
IEPF	Investor Education and Protection Fund	VEF	Venezuelan Bolivar
IFRS	International Financial Reporting Standards	VUR	Vesicoureteral Reflux
IGAAP	Indian Generally Accepted Accounting Principles	WTO	World Trade Organisation

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 33rd annual general meeting (AGM) of the members of **Dr. Reddy's Laboratories Limited (CIN: L85195TG1984PLC004507)** will be held on Friday, 28 July 2017 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 2017, including the audited balance sheet as at 31 March 2017 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 2016-17.

3. To re-appoint Mr. G V Prasad (DIN: 00057433), who retires by rotation and, being eligible, offers himself for the re-appointment.

4. To ratify appointment of 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 and their corresponding rules, pursuant to the recommendations of the audit committee and the resolution passed by the members at their 32nd annual general meeting (AGM) held on 27 July 2016, the appointment of M/s. S R Batliboi & Associates LLP, Chartered Accountants (Firm Registration No. 101049W/E300004), who have confirmed their eligibility in terms of the provisions of section 141 of the Companies Act, 2013 and rule 4 of the Companies (Audit and Auditors) Rules, 2014, as statutory auditors, to hold office upto the conclusion of 34th AGM, be and is hereby ratified 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. K SATISH REDDY (DIN: 00129701) AS WHOLE-TIME DIRECTOR DESIGNATED AS CHAIRMAN.**

   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. K Satish Reddy (DIN: 00129701) as whole-time director designated as chairman of the company for a further period of five years with effect from 1 October 2017 to 30 September 2022, liable to retire by rotation, on the terms and conditions and remuneration as set out below:

(a) **Salary:** ₹ 1,000,000/- per month

(b) **Perquisites:**

Category A:

1. Housing: Rent free accommodation or house rent allowance of ₹ 500,000/- per month (50% of salary)
2. Medical reimbursement for self and family as per the rules of the company, value not exceeding ₹ 15,000/- per annum.
3. Leave travel assistance, as per the rules of the company and value not exceeding ₹ 1,000,000/- 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:

- Cars 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. K Satish Reddy 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. K Satish Reddy, 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."

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

6. TO RATIFY THE REMUNERATION PAYABLE TO COST AUDITORS, M/S. SAGAR & ASSOCIATES, COST ACCOUNTANTS FOR THE FINANCIAL YEAR ENDING 31 MARCH 2018.

   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 March 31, 2018, be paid a remuneration of ₹ 700,000/- (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 statement pursuant to section 102(1) of the Companies Act, 2013 in respect of the special business set out in the notice and Secretarial Standards 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 per cent of the total share capital of the company carrying voting rights. A member holding more than ten per cent 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.
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, 19 July 2017 to Friday, 21 July 2017 (both days inclusive).
8. The board of directors of the company at their meeting held on 12 May 2017 has recommended a dividend of ₹ 20/- per equity share of ₹ 5/- as final dividend for the financial year 2016-17. Dividend, if declared, at the 33rd AGM, will be paid on or after 2 August 2017, to those members whose names appear on the register of members of the company as of the end of the day on 18 July 2017.
9. The annual report for the financial year 2016-17 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. 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 2016-17, free of cost, upon sending a request to the company secretary at 8-2-337, Road No. 3, Banjara Hills, Hyderabad – 500 034.
10. In case any member is desirous to receive communication from the company in electronic form, they may register their email address on www.drreddys.com/investors/shareholder-information.html or with their depository participant or send their consent at 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.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

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, Bigshare Services Private Ltd., 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, Bigshare Services Private Ltd.
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, Bigshare Services Private Ltd.
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 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 : 12 May 2017

Sandeep Poddar
Company Secretary

ANNEXURE TO NOTICE OF AGM

ITEM NO. 3

Statement provided under Secretarial Standards on general meetings (SS-2).

Mr. G V Prasad (aged 56 years) leads the core team that drives the growth and performance at Dr. Reddy's that has contributed significantly to its transformation from a mid-sized domestic operation into a worldwide pharmaceutical conglomerate. Mr. Prasad has played a key role in the evolution of Dr. Reddy's from a mid-sized pharmaceutical company into a globally respected 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 building the innovation side of the business.

Mr. Prasad joined company's board in 1986 and became vice-chairman & CEO in 2001, when Cheminor Drugs Ltd., the company of which he was then managing director, merged with Dr. Reddy's. Mr. Prasad was re-appointed as whole-time director designated as co-chairman, managing director and CEO of the company at the 32nd AGM of the members held on 27 July 2016, for a further period of five years commencing 30 January 2016 to 29 January 2021, liable to retire by rotation. He retires by rotation at the 33rd AGM of the company and being eligible, offers himself for the re-appointment.

He has a Bachelor's degree in Chemical Engineering from Illinois Institute of Technology, Chicago in the United States of America, and an M.S. in Industrial Administration from Purdue University, Indiana in United States of America.

He is also a director on the boards of: Green Park Hotels and Resorts Ltd., Stamlo Industries Ltd., Dr. Reddy's Holdings Ltd., Molecular Connections Private Ltd., Dr. Reddy's Trust Services Private Ltd., Dr. Reddy's Research Foundation, Dr. Reddy's Institute of Life Sciences, International Foundation for Research and Education, Indian School of Business, Andhra Pradesh State Skill Development Corporation and company's wholly owned subsidiaries, Aurigene Discovery Technologies Ltd. and Idea2Enterprises (India) Private Ltd.

ANNEXURE TO NOTICE OF AGM (CONTINUED)

He has attended all meetings of the board held during FY2017. He is a member of corporate social responsibility committee, stakeholders' relationship committee and banking and authorisations committee of Dr. Reddy's Laboratories Limited and corporate social responsibility committee and nomination and remuneration committee of Aurigene Discovery Technologies Limited.

Mr. G V Prasad holds 1,344,640 equity shares in the company.

Except Mr. G V Prasad, Mr. K Satish Reddy and their relatives, none of the other directors and 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.

Statement pursuant to section 102(1) of the Companies Act, 2013 and under Secretarial Standards on general meetings (SS-2): for item no. 5 and 6

ITEM NO. 5

Mr. K Satish Reddy (aged 50 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.

As part of the initiative to create enduring guidance for the company, the board of directors of the company, at their meeting held on 12 May 2017, had approved the re-appointment of Mr. K Satish Reddy as whole-time director designated as chairman of the company for a further period of five years commencing 1 October 2017 to 30 September 2022 on the terms and conditions and remuneration as set out in the resolution.

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

He has attended all meetings of the board held during FY2017. He is a member of corporate social responsibility committee and stakeholders' relationship committee and chairman of banking and authorisations committee of Dr. Reddy's Laboratories Limited.

This disclosure may also be read and treated as compliance with the requirements of section 190 of the Companies Act, 2013.

Mr. K Satish Reddy holds 1,310,332 equity shares in the company.

Except Mr. G V Prasad, Mr. K Satish Reddy and their relatives, none of the other directors and 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, 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. 700,000/- (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 2018.

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.6 of the notice for ratification of the remuneration payable to the cost auditors for the financial year ending 31 March 2018.

None of the directors, key managerial personnel and their relatives are, in any way, concerned or interested, financially or otherwise, in this resolution.

The board recommends the resolution set forth in item no. 6 of the notice for approval of the members.

By order of the board

Place : Hyderabad
Date : 12 May 2017

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 remote e-voting facility to members to cast their vote on all resolutions set forth in the notice convening the 33rd annual general meeting (AGM) to be held on Friday, 28 July 2017 at 9.30 AM. The company has engaged the services of National Securities Depository Ltd. (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 the venue of the AGM is termed as 'remote e-voting'.

The e-voting facility is available at 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
106236	Monday, 24 July 2017 at 9.00 am IST	Thursday, 27 July 2017 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 28 July 2017.

STEPS FOR REMOTE E-VOTING:

(i) Open the internet browser and type the URL: www.evoting.nsdl.com

(ii) Click on 'shareholder login'.

(iii) If you are already registered with NSDL for e-voting, then you can use your existing user ID and password for login. (user ID is the combination of (DP-ID+Client-ID). Example: If DP-ID is IN600570 and Client-ID is 20004951 then user ID will be IN60057020004951).

(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 email-ID: drlscrutinizer@gmail.com with a copy marked to 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 shall be sent to you separately. (user ID is the combination of (EVEN no+folio no). example: If EVEN no: is 123456 and folio no: is R12345 then user ID will be 123456R12345)

   ii. Please follow all steps from serial nos. (i) to (ix) mentioned above, in order to successfully cast your vote.

GENERAL INSTRUCTIONS:

a) The remote e-voting period commences on Monday, 24 July 2017 (9.00 AM IST) and ends on Thursday, 27 July 2017 (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 Friday, 21 July 2017, may cast their votes electronically. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall 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. Friday, 21 July 2017, may obtain user ID and password by sending a request at 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' or 'physical user reset password' options available on www.evoting.nsdl.com or contact NSDL at the following toll free no.: 1800-222-990.

c) The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.

d) The facility for voting through electronic voting system/ballot paper shall be made available at the AGM venue and the members attending the AGM who have not cast their vote by remote e-voting shall 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.

INSTRUCTIONS FOR E-VOTING (CONTINUED)

e) The voting rights of shareholders shall 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 Friday, 21 July 2017.

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.

g) At the AGM, at the end of discussion on the resolutions on which voting is to be held, the chairman shall, with the assistance of scrutinizer, 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 shall 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 shall 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 shall declare the result of the voting forthwith.

i) The voting results declared along with the scrutinizer's report shall be placed on the company's website: 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 shall also be immediately forwarded to the BSE Ltd., National Stock Exchange of India Ltd and the New York Stock Exchange Inc.

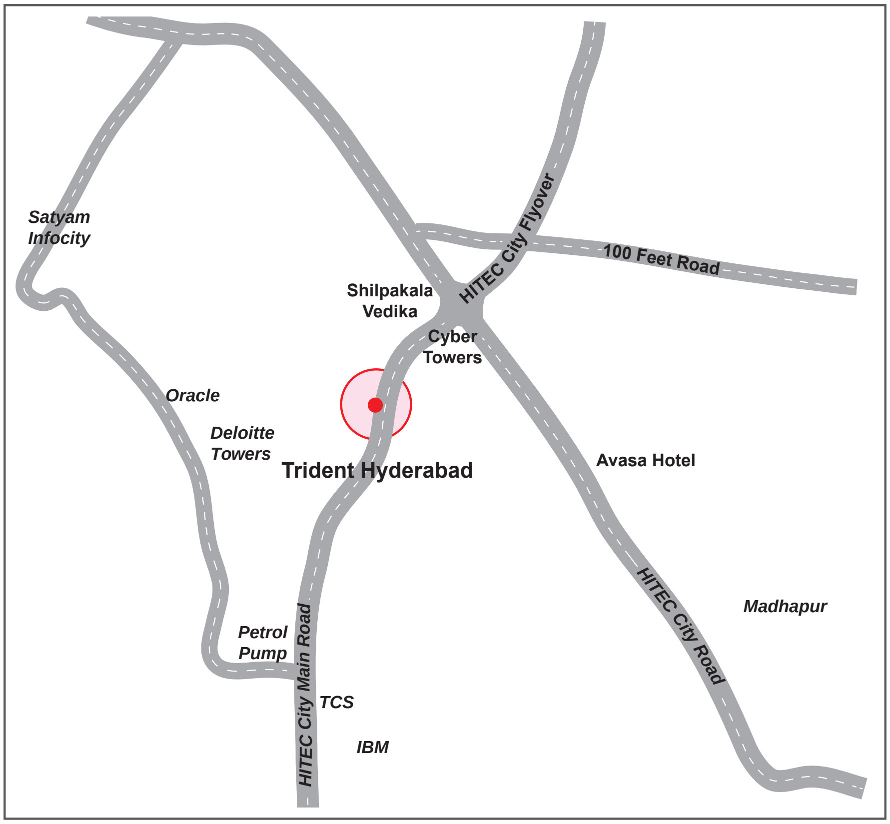
j) In case of any queries, you may refer the frequently asked questions (FAQs) and e-voting user manual, available at downloads section of www.evoting.nsdl.com or call on toll free no.: 1800-222-990. You can also refer your queries to NSDL through email: evoting@nsdl.co.in.

By order of the board

Place : Hyderabad
Date : 12 May 2017

Sandeep Poddar
Company Secretary

In terms of the requirements of the Secretarial Standards 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 33rd annual general meeting is as under:



Dr. Reddy's Laboratories Limited

CIN: L85195TG1984PLC004507

Regd. Office: 8-2-337, Road No. 3, Banjara Hills, Hyderabad 500 034

Email-ID: shares@drreddys.com Website: www.drreddys.com

33rd Annual General Meeting – Friday, 28 July 2017

Attendance Slip

Folio No./DP ID & 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 33rd annual general meeting of the company held on Friday, 28 July 2017 at 9.30 AM at 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

Dr. Reddy's Laboratories Limited

CIN: L85195TG1984PLC004507

Regd. Office: 8-2-337, Road No. 3, Banjara Hills, Hyderabad 500 034

Email-ID: shares@drreddys.com Website: www.drreddys.com

33rd Annual General Meeting – Friday, 28 July 2017

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: ______________________________
   Email-ID: ______________________________ Signature ________________

or failing him/her

2. Name: ______________________________
   Address: ______________________________
   Email-ID: ______________________________ Signature ________________

or failing him/her

3. Name: ______________________________
   Address: ______________________________
   Email-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 33rd Annual General Meeting of the Company, to be held on Friday, 28 July 2017 at 9.30 AM at 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
Ordinary Business				
1.	To receive, consider and adopt the financial statements (standalone and consolidated) of the Company for the year ended 31 March 2017, including the audited Balance Sheet as at 31 March 2017 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 2016-17.			
3.	To re-appoint Mr. G V Prasad (DIN: 00057433) who retires by rotation and, being eligible, offers himself for the re-appointment.			
4.	Ratification of appointment of M/s. S R Batliboi & Associates LLP, Chartered Accountants, as statutory auditors and fix their remuneration.			
Special Business				
5.	Re-appointment of Mr. K Satish Reddy (DIN: 00129701) as Whole-time Director designated as Chairman.			
6.	To ratify the remuneration payable to cost auditors M/s. Sagar & Associates, cost accountants, for the financial year ending 31 March 2018.			

Signed this ____________ day of ________2017

Revenue stamp

Signatures of the member(s) ____________ Signatures of the proxyholder(s) ____________

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 to 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. on Wednesday, 26 July 2017 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 or abstain column blank against any or all resolutions, your proxy will be entitled to vote in the manner as he/she may think appropriate.

"If you point to one single factor that made us what we are today, it is serving the poorest of the poor. It has actually made us prosperous. Of course, we didn't stop there. And we continue to bring affordable medicines to people."

Dr. K Anji Reddy

Dr.Reddy's

Dr.Reddy's

Dr. Reddy's Laboratories Ltd.
8-2-337, Road No. 3, Banjara Hills,
Hyderabad 500 034, India

www.drreddys.com

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