DR REDDYS LABORATORIES LTD
Form 20-F
June 17, 2015
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended March 31, 2015

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report _____

For the transition period from _____ to _____

Commission File Number: 1-15182

DR. REDDY S LABORATORIES LIMITED

(Exact name of Registrant as specified in its charter)

Not Applicable	**TELANGANA, INDIA**
(Translation of Registrant s name into English)	**(Jurisdiction of incorporation or organization)**

8-2-337, Road No. 3, Banjara Hills

Hyderabad, Telangana 500 034, India

+91-40-49002900

(Address of principal executive offices)

Saumen Chakraborty, *Chief Financial Officer,* +91-40-49002004, saumenc@drreddys.com

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

(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of Each Class	**Name of Each Exchange on which Registered**
American depositary shares, each representing one equity share	**New York Stock Exchange**
Equity Shares*	

*** Not for trading, but only in connection with the registration of American depositary shares, pursuant to the requirements of the Securities and Exchange Commission.**

Securities registered or to be registered pursuant to Section 12(g) of the Act. None.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. None.

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

170,381,174 Equity Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ¨ No x

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See the definitions of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ¨ International Financial Reporting Standards as issued x Other ¨

by the International Accounting Standards Board

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ¨ Item 18 ¨

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes ¨ No x

Table of Contents

Currency of Presentation and Certain Defined Terms

In this annual report on Form 20-F, references to $ or U.S.$ or dollars or U.S. dollars are to the legal currency of United States and references to Rs. or rupees or Indian rupees are to the legal currency of India. Our financia statements are prepared in accordance with International Financial Reporting Standards, or IFRS , as issued by the International Accounting Standards Board, or IASB . These standards include International Accounting Standards, or IAS , and their interpretations issued by the International Financial Reporting Interpretations Committee, or IFRIC , or its predecessor, the Standing Interpretations Committee, or SIC . References to a particular fiscal year are to our fiscal year ended March 31 of such year. References to our ADSs are to our American Depositary Shares.

References to U.S. or United States are to the United States of America, its territories and its possessions. References to India are to the Republic of India. References to EU are to the European Union. All references to we, us , our Dr. Reddy s or the Company shall mean Dr. Reddy s Laboratories Limited and its subsidiaries. Dr. Reddy s registered trademark of Dr. Reddy s Laboratories Limited in India. Other trademarks or trade names used in this annual report on Form 20-F are trademarks registered in the name of Dr. Reddy s Laboratories Limited or are pending before the respective trademark registries, unless otherwise specified. Market share data is based on information provided by IMS Health Inc. and its affiliates (IMS Health), a provider of market research to the pharmaceutical industry, unless otherwise stated.

Our financial statements are presented in Indian rupees and translated into U.S. dollars for the convenience of the reader. Except as otherwise stated in this report, all convenience translations from Indian rupees to U.S. dollars are at the certified foreign exchange rate of U.S.$1 = Rs.62.31, as published by Federal Reserve Board of Governors on March 31, 2015. No representation is made that the Indian rupee amounts have been, could have been or could be converted into U.S. dollars at such a rate or any other rate.

Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

Information contained in our website, www.drreddys.com, is not part of this Annual Report and no portion of such information is incorporated herein.

Forward-Looking and Cautionary Statement

IN ADDITION TO HISTORICAL INFORMATION, THIS ANNUAL REPORT CONTAINS CERTAIN FORWARD- LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE EXCHANGE ACT). THE FORWARD-LOOKING STATEMENTS CONTAINED HEREIN ARE SUBJECT TO CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE REFLECTED IN THE FORWARD- LOOKING STATEMENTS. FACTORS THAT MIGHT CAUSE SUCH A DIFFERENCE INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED IN THE SECTIONS ENTITLED RISK FACTORS AND OPERATING AND FINANCIAL REVIEW AND PROSPECTS AND ELSEWHERE IN THIS REPORT. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH REFLECT MANAGEMENT S ANALYSIS ONLY AS OF THE DATE HEREOF. IN ADDITION, READERS SHOULD CAREFULLY REVIEW THE OTHER INFORMATION IN THIS ANNUAL REPORT AND IN OUR PERIODIC REPORTS AND OTHER DOCUMENTS FILED AND/OR FURNISHED WITH THE SECURITIES AND EXCHANGE COMMISSION (SEC) FROM TIME TO TIME.

Table of Contents

TABLE OF CONTENTS

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS 4

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE 4

ITEM 3. KEY INFORMATION 4

ITEM 4. INFORMATION ON THE COMPANY 27

ITEM 4A. UNRESOLVED STAFF COMMENTS 61

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS 62

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES 99

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS 114

ITEM 8. FINANCIAL INFORMATION 115

ITEM 9. THE OFFER AND LISTING 117

ITEM 10. ADDITIONAL INFORMATION 118

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK 129

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES 131

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES 133

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS 133

ITEM 15. CONTROLS AND PROCEDURES 134

ITEM 16. [RESERVED] 136

ITEM 16.A. AUDIT COMMITTEE FINANCIAL EXPERT 136

ITEM 16.B. CODE OF ETHICS 136

ITEM 16.C. PRINCIPAL ACCOUNTANT FEES AND SERVICES 136

ITEM 16.D. EXEMPTION FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES 136

ITEM 16.E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS 136

ITEM 16.F. CHANGE IN REGISTRANT S CERTIFYING ACCOUNTANT 137

ITEM 16.G. CORPORATE GOVERNANCE 137

ITEM 16.H. MINE SAFETY DISCLOSURE 139

PART III

ITEM 17. FINANCIAL STATEMENTS 139

ITEM 18. FINANCIAL STATEMENTS 139

ITEM 19. EXHIBITS 140

SIGNATURES 141

Table of Contents

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

3.A. *Selected financial data*

You should read the selected consolidated financial data below in conjunction with our consolidated financial statements and the related notes, as well as the section titled Operating and Financial Review and Prospects, all of which are included elsewhere in this Annual Report on Form 20-F. The selected consolidated income statement data for the years ended March 31, 2015, 2014, 2013, 2012 and 2011 and the selected consolidated statement of financial position data as of March 31, 2015, 2014, 2013, 2012 and 2011 have been prepared and presented in accordance with IFRS as issued by the IASB, and have been derived from our audited consolidated financial statements and related notes included elsewhere herein. The selected consolidated financial data below has been presented for the five most recent fiscal years. Historical results are not necessarily indicative of future results.

Income Statement Data

	For the Year Ended March 31,					
	2015	**2015**	**2014**	**2013**	**2012**	**2011**
	(Rs. in millions, U.S.$ in millions, both except share and per share data)					
	Convenience translation into U.S.$					
Revenues	U.S.$ 2,378	Rs.148,189	Rs.132,170	Rs.116,266	Rs.96,737	Rs.74,693
Cost of revenues	1,008	62,786	56,369	55,687	43,432	34,430
Gross profit	**1,371**	**85,403**	**75,801**	**60,579**	**53,305**	**40,263**
Selling, general and administrative expenses	683	42,585	38,783	34,272	29,907	23,689
Research and development expenses	280	17,449	12,402	7,674	5,911	5,060
Other (income)/expense, net	(15)	(917)	(1,416)	(2,479)	(765)	(1,115)
Results from operating activities	**422**	**26,286**	**26,032**	**21,112**	**18,252**	**12,629**

Finance (expense)/income, net		27	1,682	400	460	160	(189)
Share of profit of equity accounted investees, net of tax		3	195	174	104	54	3
Profit/(loss) before tax		**452**	**28,163**	**26,606**	**21,676**	**18,466**	**12,443**
Tax expense		(96)	(5,984)	(5,094)	(4,900)	(4,204)	(1,403)
Profit/(loss) for the year		**356**	**22,179**	**21,512**	**16,776**	**14,262**	**11,040**
Attributable to:							
Equity holders of the Company		356	22,179	21,515	16,777	14,262	11,040
Non-controlling interests				(3)	(1)		
Profit/(loss) for the year	**U.S.$**	**356**	**Rs.22,179**	**Rs.21,512**	**Rs.16,776**	**Rs.14,262**	**Rs.11,040**
Earnings/(loss) per share							
Basic	U.S.$	2.09	Rs.130.22	Rs.126.52	Rs.98.82	Rs.84.16	Rs.65.28
Diluted	U.S.$	2.08	Rs.129.75	Rs.126.04	Rs.98.44	Rs.83.81	Rs.64.95
Weighted average number of equity shares used in computing earnings/(loss) per equity share*							
Basic			170,314,506	170,044,518	169,777,458	169,469,888	169,128,649
Diluted			170,933,433	170,695,017	170,432,680	170,177,944	169,965,282
Cash dividend per equity share**	U.S.$	0.29	Rs.18	Rs.15	Rs.13.75	Rs.11.25	Rs.11.25

* Each ADR represents one equity share.
** Excludes corporate dividend tax.

Table of Contents

Statement of Financial Position Data

	As of March 31,					
	2015	2015	2014	2013	2012	2011
	(Rs. in millions, U.S.$ in millions)					
	Convenience translation into U.S.$					
Cash and cash equivalents	U.S.$ 87	Rs.5,394	Rs.8,451	Rs.5,136	Rs.7,379	Rs.5,729
Other investments (current and non-current)	595	37,076	25,083	17,172	10,773	33
Total assets	3,126	194,762	170,223	142,369	119,477	95,005
Total long term debt, excluding current portion	230	14,307	20,740	12,625	16,335	5,271
Total equity	U.S.$ 1,786	Rs.111,302	Rs.90,801	Rs.72,805	Rs.57,287	Rs.45,803
Number of shares outstanding		170,381,174	170,108,868	169,836,475	169,560,346	169,252,732

Convenience translation

For the convenience of the reader, our consolidated financial statements as of March 31, 2015 have been translated into U.S. dollars at the certified foreign exchange rate of U.S.$1 = Rs.62.31, as published by Federal Reserve Board of Governors on March 31, 2015. No representation is made that the Indian rupee amounts have been, could have been or could be converted into U.S. dollars at such a rate or any other rate.

Exchange Rates

The following table sets forth, for the fiscal years indicated, information concerning the number of Indian rupees for which one U.S. dollar could be exchanged based on the noon buying rate in the City of New York on business days during the period for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York. The column titled Average in the table below is the average of the daily noon buying rate on the last business day of each month during the year.

Year Ended March 31,	Period End	Average	High	Low
2011	44.54	45.49	47.49	43.90
2012	50.89	48.01	53.71	44.00
2013	54.52	54.48	57.13	50.64
2014	60.00	60.35	68.80	53.65
2015	62.31	61.34	63.67	58.30

The following table sets forth the high and low exchange rates for the previous six months and is based on the noon buying rates in the City of New York on business days of each month during such period for cable transfers in Indian rupees as certified for customs purposes by the Federal Reserve Bank of New York.

Month	High	Low
October 2014	61.81	60.92
November 2014	62.20	61.38
December 2014	63.67	61.78
January 2015	63.57	61.32
February 2015	62.41	61.67
March 2015	63.06	61.76

On June 12, 2015, the noon buying rate in the city of New York was Rs.64.02 per U.S. dollar.

3.B. ***Capitalization and indebtedness***

Not applicable.

Table of Contents

3.C. ***Reasons for the offer and use of proceeds***

Not applicable.

3.D. ***Risk factors***

You should carefully consider all of the information set forth in this Form 20-F and the following risk factors that we face and that are faced by our industry. The risks below are not the only ones we face. Additional risks not currently known to us or that we presently deem immaterial may also affect our business operations. Our business, financial condition or results of operations could be materially or adversely affected by any of these risks. This Form 20-F also contains forward-looking statements that involve risks and uncertainties. Our results could materially differ from those anticipated in these forward-looking statements as a result of certain factors, including the risks we face as described below and elsewhere. See Forward-Looking Statements.

RISKS RELATING TO OUR COMPANY AND OUR BUSINESS

If we fail to comply fully with government regulations or to maintain continuing regulatory oversight applicable to our research and development activities or regarding the manufacture of our products, or if a regulatory agency amends or withdraws existing approvals to market our products, it may delay or prevent us from developing or manufacturing our products.

Our research and development activities are heavily regulated. If we fail to comply fully with applicable regulations, then there could be a delay in the submission or approval of potential new products for marketing approval. In addition, the submission of an application to a regulatory authority does not guarantee that approvals required to market the product will be granted. Each authority may impose its own requirements and/or delay or refuse to grant approval, even when a product has already been approved in another country. In many of the international markets into which we sell our products, including the United States, the approval process for a new product is complex, lengthy and expensive. The time taken to obtain approval varies by country but generally takes from six months to several years from the date of application. This approval process increases the cost to us of developing new products and increases the risk that we will not be able to successfully sell such new products.

Regulatory agencies may at any time reassess the safety and efficacy of our products based on new scientific knowledge or other factors. Such reassessments could result in the amendment or withdrawal of existing approvals to market our products, which in turn could result in a loss of revenue, and could serve as an inducement to bring lawsuits against us. In our bio-similars business, due to the intrinsic nature of biologics, our bio-similarity claims can always be contested by our competitors, the innovator company and/or the applicable regulators.

Additionally, governmental authorities, including among others the U.S. Food and Drug Administration (U.S. FDA) and the U.K. Medicines and Healthcare Products Regulatory Agency (MHRA), heavily regulate the manufacturing of our products, including manufacturing quality standards. Periodic audits are conducted on our manufacturing sites, and if the regulatory and quality standards and systems are not found adequate, it could result in an audit observation (on Form 483, if from the U.S. FDA), or a subsequent investigative letter which may require further corrective actions. More recently, a number of Indian generic pharmaceutical companies were issued import alerts and warning letters by the U.S. FDA. A significant proportion of our manufacturing base of active pharmaceutical ingredients and formulations plants servicing the United States and other markets of our Global Generics business are based out of India. There appears to be an increasing trend by the U.S. FDA and governmental regulators in other developed countries towards manufacturing site audits which are unannounced and conducted with unprecedented rigor and expectations. While our quality practices and quality management systems are conducted in a manner designed to

satisfy these types of audits, we cannot guarantee that our efforts will prevent adverse outcomes such as audit observations, corrective action requests, warning letters or import bans. Also, unresolved audits may delay new product approvals or/and launches thereby impacting our future revenues and profitability.

Furthermore, we deal with numerous third party manufacturers and despite our strict oversight, any lapse in their quality practices and quality management systems could lead to such adverse outcomes in the event of an audit.

Table of Contents

If we or our third party suppliers fail to comply fully with such regulations or to take corrective actions which are mandated, then there could be a government-enforced shutdown of our production facilities or an import ban, which in turn could lead to product shortages that delay or prevent us from fulfilling our obligations to customers, or we could be subjected to government fines. For example, the U.S. FDA imposed an import ban on our manufacturing facility at Cuernavaca, Mexico from June 2011 through July 2012. Failure to comply fully with such regulations could also lead to a delay in the approval of our new products.

Further, while physicians may prescribe products for uses that are not described in the product s labeling and that differ from those approved by the U.S. FDA or other similar regulatory authorities (an off label use), we are permitted to market our products only for the indications for which they have been approved. The U.S. FDA and other regulatory agencies actively enforce regulations prohibiting promotion of off-label uses, and significant liability can be imposed on manufacturers found to be engaged in off-label marketing violations, including fines in the tens or hundreds of millions of dollars, as well as criminal sanctions. If some of our products are prescribed off label, regulatory authorities such as the U.S. FDA could take enforcement actions if they conclude that we or our distributors have engaged in off label marketing.

An increasing portion of our portfolio is biologic products. Unlike traditional small-molecule drugs, biologic drugs cannot be manufactured synthetically, but typically must be produced from living plant or animal micro-organisms. As a result, the production of biologic drugs that meet all regulatory requirements is especially complex. Even slight deviations at any point in the production process may lead to batch failures or recalls. In addition, because the production process is based on living micro-organisms, the process could be affected by contaminants that could impact those micro-organisms. In such an event, production shutdowns and extensive and extended decontamination efforts may be required.

The regulatory requirements are still evolving in many developing markets where we sell or manufacture products, including our bio-similar products. In these markets, the regulatory requirements and the policies and opinions of regulators may at times be unclear, inconsistent or arbitrary due to absence of adequate precedents or for other reasons. As a result, there is increased risk of withholding or delay of regulatory approvals for new products or government-enforced shutdowns and other sanctions. And, in some cases, there is increased risk of our inadvertent non-compliance with such regulations.

Significant delays in the development of pathways for the registration and approval of such bio-similar products, or significant impediments that may be built into such pathways, could diminish the value of the investments we have made and will continue to make in our biotechnology capabilities. For example, in the healthcare reform legislation adopted in the United States, biosimilar products may not be approved for twelve years following approval of the branded biotechnology product. As a result, filings and launches of biosimilar products may be delayed significantly, adversely affecting our ability to develop a successful biosimilars business. The U.S. FDA is in the process of establishing regulations relating to biosimilars to implement the new healthcare legislation. These regulations, when ultimately adopted, could further complicate the process of bringing biosimilar products to market on a timely basis and could thus adversely affect our ability to develop a successful biosimilars business. While the U.S. FDA has issued guidelines, these guidelines contain features that could significantly prolong the biosimilar development process and significant ambiguity and questions remain, including for example questions regarding standards and criteria for biosimilars and interchangeables.

There has been a trend of increased regulatory review of over-the-counter products for safety and efficacy questions, which could potentially affect our over-the-counter products business.

In recent years, significant questions have arisen regarding the safety, efficacy and potential for misuse of certain over-the-counter medicine products. Litigation, particularly in the United States, sometimes gives rise to these questions. As a result, health authorities around the world have begun to re-evaluate some important over-the-counter products, leading to restrictions on the sale of some of them and even the banning of certain products. For example, in 2010, the U.S. FDA undertook a review of one cough medicine ingredient to consider whether over-the-counter sales of the ingredient remained appropriate. While the U.S. FDA has not, to date, changed the ingredient s status, further regulatory or legislative action may follow. Additional actions and litigation regarding over-the-counter products are possible in the future. If the U.S. FDA or another regulator were to review one or more of our over-the-counter products for such purposes, and if such review resulted in the U.S. FDA or another regulator charging us with violations applicable to such product, it could have a significant adverse effect on our sales of such over-the-counter products and, thus, our overall profitability.

Table of Contents

We have operations in certain countries susceptible to political and economic instability that could lead to disruption or other adverse impacts upon such operations.

We expect to derive an increasing portion of our sales from regions such as Latin America, Russia and other countries of the former Soviet Union, Central Europe, Eastern Europe and South Africa, all of which may be more susceptible to political and economic instability. For example, there has been severe political instability in Ukraine following civilian riots and political unrest which began in November 2013, destabilization of the Ukrainian President s office in February 2014, and subsequent military action in the country operating under a temporary government. As a result of ongoing conflict in the region, the United States and the European Union have imposed sanctions on certain individuals and companies in Ukraine and Russia. Political instability in the region has combined with low worldwide oil prices that significantly devalued the Russian rouble and may continue to have a negative impact on the Russian economy. In addition, the Ukrainian hryvnia also experienced significant devaluation in 2014.

We monitor significant political, legal and economic developments in these regions and attempt to mitigate our exposure where possible. However, mitigation is not always possible, and our international operations could be adversely affected by political, legal and economic developments, such as changes in capital and exchange controls; expropriation and other restrictive government actions; intellectual property protection and remedy laws; trade regulations; procedures and actions affecting approval, production, pricing and marketing of, reimbursement for and access to our products; and intergovernmental disputes, including embargoes and/or military hostilities.

Significant portions of our manufacturing operations are conducted outside the markets in which our products are sold, and accordingly we often import a substantial number of products into such markets. We may, therefore, be denied access to our customers or suppliers or denied the ability to ship products from any of our sites as a result of closing of the borders of the countries in which we sell our products, or in which our operations are located, due to economic, legislative, political and military conditions, including hostilities and acts of terror, in such countries.

If we are sued by consumers for defects in our products, it could harm our reputation and thus our profits.

Our business inherently exposes us to potential product liability claims, and the severity and timing of such claims are unpredictable. Notwithstanding pre-clinical and clinical trials conducted during the development of potential products to determine the safety and efficacy of products for use by humans following approval by regulatory authorities, unanticipated side effects may become evident only when drugs and bio-similars are introduced into the marketplace. Due to this fact, our customers and participants in clinical trials may bring lawsuits against us for alleged product defects. In other instances, third parties may perform analyses of published clinical trial results which raise questions regarding the safety of pharmaceutical products, and which may be publicized by the media. Even if such reports are inaccurate or misleading, in whole or in part, they may nonetheless result in claims against us for alleged product defects.

Under the current regulatory scheme in the United States, branded drug manufacturers can independently update product labeling through the changes being effected (CBE) supplement process, but a generic manufacturer is only permitted to use the CBE process to update its label if the branded drug manufacturer changes its label first. This can prevent generic manufacturers from complying with state law warning requirements and, as a result, state product liability suits based on failure-to-warn and design defect claims against generics manufacturers have generally been determined to be preempted by Federal law.

Following the United States Supreme Court s June 2013 ruling in *Mutual Pharmaceutical Co. v. Bartlett* upholding such preemption and immunity of generic manufacturers, the U.S. FDA proposed a new rule in November 2013 that would allow generic manufacturers to independently update product labeling through the CBE supplement process. If

the U.S. FDA s proposed new rule is adopted, it may eliminate this preemption and increase our potential exposure to lawsuits relating to product safety, side effects and warnings on labels. This new potential exposure to lawsuits may also increase the risk that, in the future, we may not be able to obtain the type and amount of coverage we desire at an acceptable price and self-insurance may become the sole commercially reasonable means available for managing the product liability risks of our business.

Additionally, the proposed rule is likely to increase management and operating costs as a result of the need to set up database and software systems to monitor and track changes made, revisit internal processes regarding product label changes by regulatory teams, enable signal detection by pharmacovigilance and make changes in packaging and logistics involving our supply chain teams. Any failure to do this adequately can lead to an increase in our potential exposure to product liability claims and litigation.

Table of Contents

The risk of exposure to lawsuits is likely to increase as we develop our own new patented products, or limited competition/complex products, such as injectables or biosimilars, in addition to making generic versions of drugs that have been in the market for some time. In addition, the existence or even threat of a major product liability claim could also damage our reputation and affect consumers views of our other products, thereby negatively affecting our business, financial condition and results of operations.

Reforms in the health care industry and the uncertainty associated with pharmaceutical pricing, reimbursement and related matters could adversely affect the marketing, pricing and demand for our products.

Our success depends, in part, on the extent to which government and health administration authorities, private health insurers and other third-party payors will pay for our products. Increasing expenditures for health care has been the subject of considerable public attention in almost every jurisdiction where we conduct business. Both private and governmental entities are seeking ways to reduce or contain health care costs by limiting both coverage and the level of reimbursement for new therapeutic products. These pressures are particularly strong given the lingering effects of the recent global economic and financial crisis, including the ongoing debt crisis in certain countries in Europe. In many countries in which we currently operate, including India, pharmaceutical prices are subject to regulation. The existence of government-imposed price controls and mandatory discounts and rebates can limit the revenues we earn from our products.

We expect these efforts to continue as healthcare payors around the globe, in particular government-controlled health authorities, insurance companies and managed care organizations, step up initiatives to reduce the overall cost of healthcare.

India

India recently enacted the National Pharmaceuticals Pricing Policy, 2012. As a result, hundreds of drugs on India s National List of Essential Medicines were identified and subjected to price controls in India. On May 15, 2013, the Department of Pharmaceuticals released Drugs (Price Control) Order, 2013 governing the price control mechanism for 348 drugs listed in the National List of Essential Medicines. As per this order, the prices of each of the drugs are determined based on the average of all drugs having an Indian market share of more than 1% by value. The individual drug price notifications for a majority of the products have been released by the National Pharmaceutical Pricing Authority. For the year ended March 31, 2014, based on these notifications, we were adversely impacted by approximately 4% (annualized impact) of our revenues from sales of all of our formulation products in India.

United States

In the United States, numerous proposals that would affect changes in the health care system have been introduced in Congress and in some state legislatures.

Patient Protection and Affordable Care Act

In March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act (collectively, the PPACA), were signed into law. The PPACA is one of the most significant healthcare reform measures in the United States in decades, and is expected to significantly impact the U.S. pharmaceutical industry. The PPACA imposes additional rebates, discounts and fees, mandates certain reporting and contains various other requirements that could adversely affect our business, as more particularly described under Patient Protection and Affordable Care Act in our Global Generics segment s discussion of U.S. Government

regulations below in Item 4.B. Business overview .

On June 28, 2010 the Departments of Health and Human Services, Labor, and the Treasury jointly issued interim final regulations to implement the provisions of the PPACA that prohibit the use of preexisting condition exclusions, eliminate lifetime and annual dollar limits on benefits, restrict contract rescissions, and provide patient protections.

On January 27, 2012, The Centers for Medicare and Medicaid Services (CMS) issued its long awaited proposed rule implementing the Medicaid pricing and reimbursement provisions of the PPACA and related legislation. CMS accepted comments on this proposed rule through April 2, 2012, and issuance of the final rule by CMS is pending.

Table of Contents

On June 28, 2012, the U.S. Supreme Court ruled on certain challenged provisions of the PPACA. The U.S. Supreme Court generally upheld the constitutionality of the PPACA, including its individual mandate that requires most Americans to buy health insurance starting in 2014, and ruled that the Anti-Injunction Act did not bar the Court from reviewing that PPACA provision. However, the U.S. Supreme Court struck down the PPACA s provisions requiring each state to expand its Medicaid program or lose all federal Medicaid funds. The Court did not invalidate the PPACA s expansion of Medicaid for states that voluntarily participate; it only held that a state s entire Medicaid funding cannot be withheld due to its failure to participate in the expansion.

Pending full implementation of the PPACA, we are continuing to evaluate all potential scenarios surrounding its implementation and the corresponding impact on our financial condition, results of operations and cash flow.

Germany

In Germany, the government has introduced several healthcare reforms in order to control healthcare spending and promote the prescribing of generic drugs. As a result, the prices of generic pharmaceutical products in Germany have declined, impacting our revenues, and may further decline in the future. Furthermore, the shift to a tender (i.e., competitive bidding) based supply model in Germany has led to a significant decline in the prices for our products and impacted our market opportunities in that country. Similar developments may take place in our other key markets. We cannot predict the nature of the measures that may be adopted or their impact on the marketing, pricing and demand for our products.

European Union

The European Union enacted the European Falsified Medicines Directive (Directive 2011/62/EU) to reform the rules for importing into the European Union active substances for medicinal products for human use. As of January 2, 2013, all imported active substances must have been manufactured in compliance with standards of good manufacturing practices (GMP) at least equivalent to the GMP of the European Union. The manufacturing standards in the European Union for active substances are those of the International Conference for Harmonisation ICH Q7. The provisions of the Directive are intended to reduce the risk of counterfeit medicines entering the supply chain.

Russia

During the fiscal year ended March 31, 2012, Russia introduced Federal Law # 323, titled On the Foundations of Healthcare for Russian Citizens . This law imposes stringent restrictions on interactions between (i) healthcare professionals, pharmacists, healthcare management organizations, opinion leaders (both governmental and from the private sector) and certain other parties (collectively referred to as healthcare decision makers), and (ii) companies that produce or distribute drugs or medical equipment and any representatives or intermediaries acting on their behalf (collectively referred to as medical product representatives). Some of the key provisions of this law include prohibitions on:

- one-on-one meetings and communications between healthcare decision makers and medical product representatives, except for participation in clinical trials, pharmacovigilance, group educational events and certain other limited exceptions;

the acceptance by a healthcare decision maker of compensation, gifts or entertainment paid by medical product representatives;

the agreement by a healthcare decision maker to prescribe or recommend drug products or medical equipment; or

the engagement by a healthcare decision maker in a conflict of interest transaction with a medical product representative, unless approved by regulators pursuant to certain specified procedures.

Although certain of the above prohibitions technically restrict only the actions of healthcare decision makers, liability for non-compliance with such restrictions nonetheless extends to both the healthcare decision maker and the medical product representative.

Table of Contents

The Eurasian Economic Union (EEU), whose member states are Russia, Belarus, Kazakhstan, Armenia, and Kyrgyzstan, officially started functioning on January 1, 2015. Among other things,, the member states of the EEU signed an international agreement establishing common principles and rules of functioning of the market for medicines within the EEU, which agreement will be effective starting on January 1, 2016.

In March 2015, Russia enacted amendments to Article 61 of the Federal Law On Circulation of Medicines , which amendments create new rules for the registration, manufacture and quality control of medicines, including new rules for the calculation and registration of the maximum retail prices of vital and essential medicines established by the list of Essential and Vital Drugs (also known as the ZhNVLS).

In January 2015, the Russian government enacted the Priority Action Plan for sustainable economic and social stability development in 2015, which includes a number of impacts on the pharmaceutical industry.

Other

Governments throughout the world heavily regulate the marketing of pharmaceutical products. Most countries also place restrictions on the manner and scope of permissible marketing to government agencies, physicians, pharmacies, hospitals and other health care professionals. In certain countries certain prescribed marketing codes or guidelines are required to be followed by the pharmaceutical companies. Although our company policies prohibit our employees and third party distributors from violating such regulations, we may not be able to completely prevent this, especially in markets that have historically been more susceptible to corruption. The effect of such regulations may be to limit the amount of revenue that we may be able to derive from a particular product. Moreover, if we or our third party distributors fail to comply fully with such regulations, then civil or criminal actions could be brought against us, which may have a material adverse effect on our reputation and our business, financial condition or results of operations.

The use of tender systems and other forms of price control could reduce prices for our products or reduce our market opportunities.

A number of markets in which we operate have implemented or may implement tender systems in an effort to lower prices. Under such tender systems, manufacturers submit bids which establish prices for generic pharmaceutical products. Upon winning the tender, the winning company will receive a preferential reimbursement for a period of time. The tender system often results in companies underbidding one another by proposing low pricing in order to win the tender.

For example, this has resulted in more than 90% of generic products currently sold in German retail outlets being supplied through contracts procured in competitive bidding tenders, thereby causing significant pressure on product margins.

Certain other countries may consider the implementation of a tender system or other forms of price controls. Even if a tender system is ultimately not implemented, the anticipation of such could result in price reductions. Failing to win tenders, or the implementation of similar systems or other forms of price controls in other markets leading to further price declines, could have a material adverse effect on our business, financial condition, results of operations, cash flows, and/or share price.

If we are unable to patent new products and processes or to protect our intellectual property rights or proprietary information, or if we infringe on the patents of others, our business may be materially and adversely impacted.

Our overall profitability depends, among other things, on our ability to continuously and timely introduce new generic as well as proprietary products. Our success depends, in part, on our ability in the future to obtain patents, protect trade secrets, intellectual property rights and other proprietary information and operate without infringing on the proprietary rights of others. Our competitors may have filed patent applications, or hold issued patents, relating to products or processes that compete with those we are developing, or their patents may impair our ability to successfully develop and commercialize new products.

Our success with our proprietary products depends, in part, on our ability to protect our current and future innovative products and to defend our intellectual property rights. If we fail to adequately protect our intellectual property, competitors may manufacture and market products similar to ours. We have been issued patents covering our innovative products and processes and have filed, and expect to continue to file, patent applications seeking to protect our newly developed technologies and products in various countries, including the United States. Any existing or future patents issued to or licensed by us may not provide us with any competitive advantages for our products or may even be challenged, invalidated or circumvented by competitors. In addition, such patent rights may not prevent our competitors from developing, using or commercializing products that are similar or functionally equivalent to our products.

Table of Contents

We also rely on trade secrets, unpatented proprietary know-how and continuing technological innovation that we seek to protect, in part by confidentiality agreements with licensees, suppliers, employees and consultants. It is possible that these agreements may be breached and we may not have adequate remedies for any such breach. Disputes may arise concerning the ownership of intellectual property or the applicability of confidentiality agreements. Furthermore, our trade secrets and proprietary technology may otherwise become known or be independently developed by our competitors. Therefore, despite all of our information security systems and practices, we may still not be able to ensure the confidentiality of information relating to such products.

If pharmaceutical companies are successful in limiting the use of generics through their legislative, regulatory and other efforts, sales of our generic products may be adversely impacted.

Many pharmaceutical companies increasingly have used state and federal legislative and regulatory means to delay generic competition. These efforts have included:

- pursuing new patents for existing products that may be granted just before the expiration of earlier patents, which could extend patent protection for additional years or otherwise delay the launch of generics;
- introducing next-generation products prior to the expiration of market exclusivity for the reference product, which often materially reduces the demand for the generic or the reference product for which we seek regulatory approval;
- obtaining extensions of market exclusivity by conducting clinical trials of brand drugs in pediatric populations or by other methods;
- selling the brand product as an authorized generic, either by the brand company directly, through an affiliate or by a marketing partner;
- using the Citizen Petition process to request amendments to U.S. FDA standards or otherwise delay generic drug approvals;
- seeking changes to U.S. Pharmacopeia, an organization that publishes industry recognized compendia of drug standards;
- attaching patent extension amendments to non-related federal legislation;
- engaging in state-by-state initiatives to enact legislation that restricts the substitution of some generic drugs, which could have an impact on products that we are developing; and

seeking patents on methods of manufacturing certain active pharmaceutical ingredients.

If pharmaceutical companies or other third parties are successful in limiting the use of generic products through these or other means, our sales of generic products may decline, leading to a material adverse effect on our results of operations, financial condition and cash flows.

If sales of authorized generic products are restricted, our sales of certain authorized generic products may suffer.

Recently, some U.S. generic pharmaceutical companies who obtained rights to market and distribute a generic alternative of a brand product (i.e., an authorized generics arrangement) under the brand manufacturer s new drug application (NDA) have experienced challenges to their ability to distribute authorized generics during a competitors 180-day period of abbreviated new drug application (ANDA) exclusivity under the Hatch-Waxman Act. These challenges have come in the form of Citizen Petitions filed with the U.S. FDA, lawsuits alleging violation of the antitrust and consumer protection laws, and seeking legislative intervention. For example, in February 2011, legislation was introduced in both the U.S. Senate and the U.S. House of Representatives that would have prohibited the marketing of authorized generics during the 180-day period of ANDA exclusivity under the Hatch-Waxman Act. If distribution of authorized generic versions of brand products is otherwise restricted or found unlawful, our results of operations, financial condition and cash flows could be materially adversely affected.

Table of Contents

If we are unable to defend ourselves in patent challenges, we could be subject to injunctions preventing us from selling our products, or we could be subject to substantial liabilities that could adversely affect our profits. Further, our patent settlement agreements with the innovators may face government scrutiny, exposing us to significant damages

There has been substantial patent related litigation in the pharmaceutical industry concerning the manufacture, use and sale of various products. In the normal course of business, we are regularly subject to lawsuits and the ultimate outcome of litigation could adversely affect our results of operations, financial condition and cash flow. Regardless of regulatory approval, lawsuits are periodically commenced against us with respect to alleged patent infringements by us, such suits often being triggered by our filing of an application for governmental approval, such as an ANDA. The expense of any such litigation and the resulting disruption to our business, whether or not we are successful, could harm our business. The uncertainties inherent in patent litigation make it difficult for us to predict the outcome of any such litigation.

If we are unsuccessful in defending ourselves against these suits, we could be subject to injunctions preventing us from selling our products, resulting in a decrease in revenues, or to damages, which may be substantial. An injunction or substantial damages resulting from these suits could adversely affect our consolidated financial position, results of operations or liquidity.

Further, we have been involved in various litigations involving challenges to the validity or enforceability of registered patents and therefore settling said patent litigations has been and is likely to continue to be an important part of our business. Parties to such settlement agreements in the U.S., including us, are required by law to file them with the Federal Trade Commission (FTC) and the Antitrust Division of the Department of Justice for review. The FTC has publicly stated that, in its view, some of the brand-generic settlement agreements violate the antitrust laws and has brought actions against some brand and generic companies that have entered into such agreements. For example, in May 2015, Teva Pharmaceutical Industries agreed to a $1.2 billion settlement with the FTC to resolves anti-competition charges over sales of Provigil, a sleep-disorder prescription drug. Accordingly, we may receive formal or informal requests from the FTC for information about a particular settlement agreement, and there is a risk that the FTC may commence an action against us alleging violations of the antitrust laws.

Such settlement agreements may further expose us to claims by purchasers of the products for unlawfully inhibiting competition.

Similarly, the European Commission (EU Commission) has placed European operations of several brand and generic companies, under intense scrutiny in connection with its inquiry into possible anticompetitive conditions in the European pharmaceutical sector. More generally, there is a risk that the increased scrutiny of the European pharmaceutical sector may lead to changes in the regulation of our business that would have an adverse impact on our results of operations in Europe.

If we elect to sell a generic product prior to the final resolution of outstanding patent litigation, we could be subject to liabilities for damages.

At times we seek approval to market generic products before the expiration of patents for those products, based upon our belief that such patents are invalid, unenforceable, or would not be infringed by our products. As a result, we are involved in patent litigation, the outcome of which could materially adversely affect our business. Based upon a complex analysis of a variety of legal and commercial factors, we may elect to market a generic product even though litigation is still pending. This could be before any court decision is rendered or while an appeal of a lower court decision is pending. To the extent we elect to proceed in this manner, if the final court decision is adverse to us, we

could be required to cease the sale of the infringing products and face substantial liability for patent infringement. These damages may be significant as they may be measured by a royalty on our sales or by the profits lost by the patent owner and not by the profits we earned. Because of the discount pricing typically involved with generic pharmaceutical products, patented brand products generally realize a significantly higher profit margin than generic pharmaceutical products. In the case of a willful infringer, the definition of which is unclear, these damages may even be trebled.

Furthermore, there may be risks involved in entering into in-licensing arrangements for products, which are often conditioned upon the licensee s sharing in the patent-related risks.

For business reasons, we continue to examine such product opportunities (i.e., involving non-expired patents) going forward and this could result in patent litigation, the outcomes of which may have a material adverse effect on our results of operations, financial condition and cash flows.

Table of Contents

Research and development efforts invested in our differentiated formulations pipeline may not achieve expected results.

In our Proprietary Products segment, our business model focuses on building a pipeline in the therapeutic areas of neurology and dermatology. We must invest increasingly significant resources to develop differentiated products, both through our own efforts and through collaborations, in-licensing and acquisition of products from or with third parties. The development of differentiated products involves processes and expertise different from those used in the development of generic drugs, which increases the risks of failure. During each stage, we may encounter obstacles that delay the development process and increase expenses, leading to significant risks that we will not achieve our goals and may be forced to abandon a potential product in which we have invested substantial amounts of time and money. These obstacles may include: preclinical failures; difficulty enrolling patients in clinical trials; delays in completing formulation and other work needed to support an application for registration; adverse reactions or other safety concerns arising during clinical testing; insufficient clinical trial data to support the safety or efficacy of the product candidate; and failure to obtain, or delays in obtaining, the required regulatory approvals for the product candidate or the facilities in which it is manufactured.

Because of the amounts required to be invested in augmenting our differentiated products pipeline, in some cases we are reliant on partnerships and joint ventures with third parties, and consequently face the risk that some of these third parties may fail to perform their obligations, or fail to reach the levels of success that we are relying on to meet our revenue and profit goals. Accordingly, our investment in research and development of innovative products can involve significant costs with no assurances of future revenues or profits.

If we fail to comply with environmental laws and regulations, or face environmental litigation, our costs may increase or our revenues may decrease.

We may incur substantial costs complying with requirements of environmental laws and regulations. In addition, we may discover currently unknown environmental problems or conditions. In all countries where we have production facilities, we are subject to significant environmental laws and regulations that govern the discharge, emission, storage, handling and disposal of a variety of substances that may be used in or result from our operations. In the normal course of our business, we are exposed to risks relating to possible releases of hazardous substances into the environment, which could cause environmental or property damage or personal injuries, and that could require remediation of contaminated soil and groundwater, which could cause us to incur substantial remediation costs that could adversely affect our consolidated financial position, results of operations or liquidity.

If any of our plants or the operations of such plants are shut down, it may severely hamper our ability to supply our customers and we may continue to incur costs in complying with regulations, appealing any decision to close our facilities, maintaining production at our existing facilities and continuing to pay labor and other costs, which may continue even if the facility is closed. As a result, our overall operating expenses may increase and our profits may decrease significantly.

We operate in a highly competitive and rapidly consolidating industry which may adversely affect our revenues and profits.

Our products face intense competition from products commercialized or under development by competitors in all of our business segments based in India and overseas. Many of our competitors have greater financial resources and marketing capabilities than we do. Our competitors may succeed in developing technologies and products that are more effective, more popular or cheaper than any we may develop or license, thus rendering our technologies and products obsolete or uncompetitive, which would harm our business and financial results.

In our proprietary products business, many of our competitors have greater experience than we do in clinical testing, human clinical trials, obtaining regulatory approvals and in marketing and selling of brand, innovative and consumer-oriented products. They may be able to respond more quickly to new or emerging market preferences or to devote greater resources to the development and marketing of new products and/or technologies than we can. As a result, any products and/or innovations that we develop may become obsolete or noncompetitive before we can recover the expenses incurred in connection with their development. In addition, for these product categories we need to emphasize to physicians, patients and third-party payors the benefits of our products relative to competing products that are often more familiar or otherwise better established. If competitors introduce new products or new variations on their existing products, our marketed products, even those protected by patents, may be replaced in the marketplace or we may be required to lower our prices.

Table of Contents

In our generics business, to the extent that we succeed in being the first to market a generic version of a significant product, and particularly if we obtain the 180-day period of market exclusivity in the United States provided under the Hatch-Waxman Act of 1984, as amended, our sales and profit can be substantially increased in the period following the introduction of such product and prior to a competitor s introduction of the equivalent product or the launch of an authorized generic. Prices of generic drugs typically decline, often dramatically, especially as additional generic pharmaceutical companies receive approvals and enter the market for a given product. Consequently, our ability to sustain our sales and profitability of any product over time is dependent on both the number of new competitors for such product and the timing of their approvals.

The number of significant new generic products for which Hatch-Waxman exclusivity is available, and the size of those product opportunities, has decreased in recent years and may decrease in future years in comparison to those available in the past. Patent challenges have become more difficult in recent years. Additionally, we increasingly share the 180-day exclusivity period with other generic competitors, which diminishes the commercial value of the exclusivity.

Our generics business is also facing increasing competition from brand-name manufacturers who do not face any significant regulatory approvals or barriers to enter into the generics market. These brand-name companies sell generic versions of their products to the market directly or by acquiring or forming strategic alliances with our competitor generic pharmaceutical companies or by granting them rights to sell authorized generics. Moreover, brand-name companies continually seek new ways to delay the introduction of generic products and decrease the impact of generic competition, such as filing new patents on drugs whose original patent protection is about to expire, developing patented controlled-release products, changing product claims and product labeling, or developing and marketing as over-the-counter products those branded products that are about to face generic competition.

Our competitors, which include major multinational corporations, are consolidating, and the strength of the combined companies could affect our competitive position in all of our business areas. Furthermore, if one of our competitors or their customers acquires any of our customers or suppliers, we may lose business from the customer or lose a supplier of a critical raw material. In addition, our increased focus on innovative and specialty pharmaceuticals requires much greater use of a direct sales force than does our core generic business. Our ability to realize significant revenues from direct marketing and sales activities depends on our ability to attract and retain qualified sales personnel. Competition for qualified sales personnel is intense. We may also need to enter into co-promotion, contract sales force or other such arrangements with third parties, for example, where our own direct sales force is not large enough or sufficiently well-aligned to achieve maximum penetration in the market. Any failure to attract or retain qualified sales personnel or to enter into third-party arrangements on favorable terms could prevent us from successfully maintaining current sales levels or commercializing new innovative and specialty products.

If we have difficulty in identifying candidates for or consummating acquisitions and strategic alliances, our competitiveness and our growth prospects may be harmed.

In order to enhance our business, we frequently seek to acquire or make strategic investments in complementary businesses or products, or to enter into strategic partnerships or alliances with third parties. It is possible that we may not identify suitable acquisition, strategic investment or strategic partnership candidates, or if we do identify suitable candidates, we may not complete those transactions on terms commercially acceptable to us. We compete with others to acquire companies, and we believe that this competition has intensified and may result in decreased availability or increased prices for suitable acquisition candidates. Even after we identify acquisition candidates and/or announce that we plan to acquire a company, we may ultimately fail to consummate the acquisition. For example, we may be unable to obtain necessary regulatory approvals, including the approval of antitrust regulatory bodies.

All acquisitions involve known and unknown risks that could adversely affect our future revenues and operating results. For example:

We may fail to successfully integrate our acquisitions in accordance with our business strategy.

The initial rationale for the acquisition may not remain viable due to a variety of factors, including unforeseen regulatory changes and market dynamics after the acquisition, and this may result in a significant delay and/or reduction in the profitability of the acquisition.

We may not be able to retain the skilled employees and experienced management that may be necessary to operate the businesses we acquire. If we cannot retain such personnel, we may not be able to locate or hire new skilled employees and experienced management to replace them.

Table of Contents

We may purchase a company that has contingent liabilities that include, among others, known or unknown patent or product liability claims or environmental liability claims.

We may purchase companies located in jurisdictions where we do not have operations and as a result we may not be able to anticipate local regulations and the impact such regulations have on our business.

In addition, if we make one or more significant acquisitions in which the consideration includes equity shares or other securities, our equity shares may be significantly diluted and may result in a reduction of earnings per equity share. If we make one or more significant acquisitions in which the consideration includes cash, we may be required to use a substantial portion of our available cash or incur a significant amount of debt or otherwise arrange additional funds to complete the acquisition, which may result in a decrease in our net income and a consequential reduction in our earnings per equity share. Also, an increasing proportion of our alliances begin with research and development. Our results of operations may suffer if existing joint venture or collaboration partners withdraw, or if these products are not timely developed, approved or successfully commercialized. We cannot guarantee the successful outcome of such efforts, nor that they will result in any intellectual property rights or products that inure to our benefit.

If, as we expand into new international markets, we fail to adequately understand and comply with the local laws and customs, these operations may incur losses or otherwise adversely affect our business and results of operations.

Currently, we operate our business in certain countries through subsidiaries, joint ventures and equity investees or through supply and marketing arrangements with our alliance partners. In those countries where we have limited experience in operating subsidiaries and joint ventures and in reviewing equity investees, we are subject to additional risks related to complying with a wide variety of national and local laws, including restrictions on the import and export of certain intermediates, drugs and technologies. There may also be multiple, and possibly overlapping, tax structures. In addition, we may face competition in certain countries from companies that may have more experience with operations in such countries. We may also face difficulties integrating new facilities in different countries into our existing operations, as well as integrating employees that we hire in different countries into our existing corporate culture. If we do not effectively manage our operations in these subsidiaries and joint ventures and review equity investees effectively, or if we fail to manage our alliances, we may lose money in these countries and it may adversely affect our business and results of operations.

If we improperly handle any of the dangerous materials used in our business and accidents result, we could face significant liabilities that would lower our profits.

We handle dangerous materials including explosive, toxic and combustible materials such as acetyl chloride. If improperly handled or subjected to the wrong conditions, these materials could hurt our employees and other persons, cause damage to our properties and harm the environment. Also, increases in business and operations in our plants, and the consequent hiring of new employees, can pose increased safety hazards. Such hazards need to be addressed through training, industrial hygiene assessments and other safety measures and, if not carried out, can lead to industrial accidents. Any of the foregoing could subject us to significant litigation or adversely impact our other litigation matters then outstanding, which could lower our profits in the event we were found liable, and could also adversely impact our reputation. In a worst case scenario, this could also result in a government forced shutdown of our manufacturing plants, which in turn could lead to product shortages that delay or prevent us from fulfilling our obligations to customers and would harm our business and financial results.

If there is delay and/or failure in supplies of materials, services and finished goods from third parties or failure of finished goods from our key manufacturing sites, it may adversely affect our business and results of

operations.

In some of our businesses, we rely on third parties for the timely supply of active pharmaceutical ingredients (API), specified raw materials, equipment, formulation or packaging services and maintenance services, and in some cases there could be a single source of supply. Although, we actively manage these third party relationships to ensure continuity of supplies and services on time and to our required specifications, events beyond our control could result in the complete or partial failure of supplies and services or in supplies and services not being delivered on time.

In the event that we experience a shortage in our supply of raw materials, we might be unable to fulfill all of the API needs of our Global Generics segment, which could result in a loss of production capacity for this segment. Moreover, we may continue to be dependent on vendors, strategic partners and alliance partners for supplies of some of our existing products and new generic launches. Any unanticipated capacity or supply related constraints affecting such vendors, strategic partners or alliance partners can adversely affect our business or results of operations. Our key generics manufacturing sites also may have capacity constraints and, at times, we may not be able to generate sufficient supplies of finished goods.

Table of Contents

If any of the foregoing delays or prevents us from timely delivery of our products to our customers, our relationships with the adversely affected customers could be harmed and we could be subject to contractually imposed financial penalties and/or lawsuits, any of which may adversely affect our business or results of operations.

Fluctuations in exchange rates and interest rate movements may adversely affect our business and results of operations.

A significant portion of our revenues are in currencies other than the Indian rupee, especially the U.S. dollar, the Euro, the Russian rouble, Venezuelan bolivar and the U.K. pound sterling, while a significant portion of our costs are in Indian rupees. As a result, if the value of the Indian rupee appreciates relative to these other currencies, our revenues measured in Indian rupees may decrease and our financial performance may be adversely impacted. This also exposes us to additional risks in the event of devaluations, hyperinflation or restrictions on the conversion of foreign currencies, such as the devaluation of the Venezuelan bolivar that occurred in February 2013.

During the year ended March 31, 2015, the Venezuelan economy was adversely impacted by a significant decline in crude oil prices, leading to higher inflation rates and significantly delayed approvals for import payments.

On February 12, 2015, the Venezuelan government launched an overhaul of the exchange rate system and introduced a new exchange rate mechanism. The Marginal Currency System (known as SIMADI) is the third mechanism in the new three-tier exchange rate regime and allows for legal trading of the Venezuelan bolivar (VEF) for foreign currency with fewer restrictions than other mechanisms in Venezuela (CENCOEX and SICAD). As per the existing laws in Venezuela, payments towards the importation of pharmaceutical products qualify for the CENCOEX preferential rate of 6.3 VEF per U.S. dollar, and we have been receiving approvals at such preferential rate. As of March 31, 2015, our Venezuelan subsidiary had approximately U.S.$39 million payables to the parent company and our other subsidiaries towards the importation of pharmaceutical products. Although these payables are entitled to repayment at the CENCOEX preferential rate, if circumstances change such that a devaluation of the CENCOEX preferential rate occurs, or if payments towards the importation of pharmaceutical products no longer qualify for the CENCOEX preferential rate, it could result in a significant impact on our future revenues and results of operations.

Further, we may also be exposed to credit risks in some of the emerging markets from our customers on account of adverse economic conditions.

We use derivative financial instruments to manage some of our net exposure to currency exchange rate fluctuations in the major foreign currencies in which we operate. We do not use derivative financial instruments or other hedging techniques to cover all of our potential exposure. Therefore, we are subjected to exchange rate fluctuations that could significantly affect our financial results.

In the recent past and particularly since March 2013, the Indian rupee exchange rates as compared to the U.S. dollar have been highly volatile. In the year ended March 31, 2015, the Indian rupee depreciated by approximately 1.1% against the U.S. dollar. Such depreciation of the Indian rupee against the U.S. dollar has had positive benefits to our financial results. However, the Euro and Russian rouble depreciated by approximately 4.5% and 22.3%, respectively, against the Indian rupee during the year ended March 31, 2015. Such depreciation of foreign currencies has caused, and further depreciation in the future will cause, our foreign currency revenues as measured in Indian rupees to decrease, and thus adversely affect our financial results.

Our success depends on our ability to retain and attract key qualified personnel and, if we are not able to retain them or recruit additional qualified personnel, we may be unable to successfully develop our business.

We are highly dependent on the principal members of our management and scientific staff, the loss of whose services might significantly delay or prevent the achievement of our business or scientific objectives. In India, it is not our practice to enter into employment agreements with our executive officers and key employees that are as extensive as are generally used in the United States, and each of those executive officers and key employees may terminate their employment upon notice and without cause or good reason. Currently, we are not aware of any executive officer s or key employee s departure that has had, or planned departure that is expected to have, any material impact on our operations. Competition among pharmaceutical companies for qualified employees is intense, and the ability to retain and attract qualified individuals is critical to our success. There can be no assurance that we will be able to retain and attract such individuals currently or in the future on acceptable terms, or at all, and the failure to do so would have a material adverse effect on our business, financial condition and results of operations. In addition, we do not maintain key person life insurance on any officer, employee or consultant.

Table of Contents

We have concentrations of sales to certain customers that increases our credit risks. Consolidation among distributors and pharmaceutical companies could increase this risk, and also adversely impact our business prospects.

In the United States, similar to other pharmaceutical companies, we sell our products through wholesale distributors and large retail chains in addition to hospitals, pharmacies and other groups. During the year ended March 31, 2015, our ten largest customers accounted for approximately 87% of our North America Global Generics segment s revenues. We are exposed to a concentration of credit risk in respect of these customers such that if one or more are affected by financial difficulty, it could materially and adversely affect our financial results. If the recent trend of consolidation among distributors continues, this risk may increase.

Furthermore, the recent trend of consolidation among distributors and pharmaceutical companies, both innovator and generic companies, could have an adverse impact on our business prospects as well as our customers choices and preferences. There has been increased concern by pharmaceutical companies and their investors and other stakeholders over geographic and customer concentration risks, as well as the implementation of counter-measures and risk mitigation strategies. Some of our key risk mitigation strategies, such as key account management and locking up customer relationships, are likely to be at risk from such consolidations. If our response to these changes is not adequate and timely, our growth prospects and business can be adversely impacted.

Counterfeit versions of our products could harm our patients and reputation.

Our industry has been increasingly challenged by the vulnerability of distribution channels to illegal counterfeiting and the presence of counterfeit products in a growing number of markets and over the Internet. Third parties may illegally distribute and sell counterfeit versions of our products, which do not meet the rigorous manufacturing and testing standards that our products undergo. Counterfeit products are frequently unsafe or ineffective, and can be potentially life-threatening. Counterfeit medicines may contain harmful substances, the wrong dose of the API or no API at all. However, to distributors and patients, counterfeit products may be visually indistinguishable from the authentic version.

Reports of adverse reactions to counterfeit drugs or increased levels of counterfeiting could materially affect patient confidence in the authentic product, and harm the business of companies such as ours. Additionally, it is possible that adverse events caused by unsafe counterfeit products would mistakenly be attributed to the authentic product. In addition, there could be thefts of inventory at warehouses, plants or while in-transit, which are not properly stored and which are sold through unauthorized channels. Public loss of confidence in the integrity of pharmaceutical products as a result of counterfeiting or theft could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our equity shares and ADSs to decline.

Significant disruptions of information technology systems or breaches of data security could adversely affect our business.

Our business is dependent upon increasingly complex and interdependent information technology systems, including Internet-based systems, to support business processes as well as internal and external communications. In addition, our businesses and operating models increasingly depend on outsourcing and collaboration, which requires exchanging data and information. The size and complexity and interconnectivity of our computer systems make them potentially vulnerable to breakdown, malicious intrusion and computer viruses. Any such disruption may result in the loss of key information and/or disruption of production and business processes, which could materially and adversely affect our business.

In addition, our systems are potentially vulnerable to data security breaches, whether by employees or others, that may expose sensitive data to unauthorized persons. Such data security breaches could lead to the loss of trade secrets or other intellectual property, or could lead to the public exposure of personal information (including sensitive personal information) of our employees, clinical trial patients, customers and others. Such breaches of security could result in reputational damage and could otherwise have a material adverse effect on our business, financial condition and results of operations. Further, increasing use of information technology (IT) systems in manufacturing processes would require us to manage issues arising out of human error and/or sabotage.

In our pursuit of operational excellence, several change management initiatives across our organization are currently in progress, including but not limited to information technology automation in the areas of manufacturing, research and development, supply chain and shared services. During the year ended March 31, 2015, we initiated outsourcing of our IT hardware and applications in order to improve IT capability and performance and the initiative is currentlyin progress. Any failure to effectively manage such change initiatives or implement adequate controls in automation, security or availability of information technology systems can have material adverse effects on our business.

Table of Contents

Increased outsourcing or use of cloud services for conducting our business requires highly secure controls to ensure adequate security of information, considering potential for sabotage as well as availability. Data integrity, confidentiality and data privacy requirements are increasingly concerning regulators, and are incorporated into legal contracts. While we have invested heavily in the protection of data and information technology to reduce these risks, there can be no assurance that our efforts or those of our third-party service providers would be sufficient to protect against data deterioration or loss in the event of a system malfunction, or prevent data from being stolen or corrupted in the event of a security breach. We currently do not have any insurance that could mitigate the impact from all such risks.

Increasing use of social media could give rise to liability or breaches of data security.

We and our business associates are increasingly relying on social media tools as a means of communications. To the extent that we seek as a company to use these tools as a means to communicate about our products or about the diseases our products are intended to treat, there are significant uncertainties as to either the rules that apply to such communications, or as to the interpretations that health authorities will apply to the rules that exist. As a result, despite our efforts to comply with applicable rules, there is a significant risk that our use of social media for such purposes may cause us to nonetheless be found in violation of them. In addition, because of the universal availability of social media tools, our associates may make use of them in ways that may not be sanctioned by us, and that may give rise to liability, or that could lead to the loss of trade secrets or other intellectual property, or could lead to the public exposure of personal information (including sensitive personal information) of our employees, clinical trial patients, customers and others. In either case, such uses of social media could have a material adverse effect on our business, financial condition and results of operations.

A relatively small group of products may represent a significant portion of our net revenues, gross profit or net earnings from time to time.

Sales of a limited number of products may represent a significant portion of our net revenues, gross profit and net earnings. If the volume or pricing of such products declines in the future, our business, financial position and results of operations could be materially adversely affected.

Compliance with new and changing corporate governance and public disclosure requirements adds uncertainty to our compliance policies and increases our costs of compliance.

Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, including the Sarbanes Oxley Act of 2002, new SEC regulations, New York Stock Exchange rules, provisions of India s Companies Act 2013, Securities and Exchange Board of India rules and Indian stock market listing regulations, create uncertainty for our company. These new or changed laws, regulations and standards may lack specificity and are subject to varying interpretations. Their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such governance standards.

In particular, continuing compliance with Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our required assessment of our internal control over financial reporting requires the commitment of significant financial and managerial resources and our independent auditor s independent assessment of the internal control over financial reporting. Further, India s Companies Act 2013 requires companies listed in India to be compliant with provisions concerning Internal Financial Controls .

In connection with this Annual Report on Form 20-F for the year ended March 31, 2015, our management assessed our internal controls over financial reporting, and determined that our internal controls were effective as of March 31, 2015 based on criteria established in Internal Control Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). As we continue to undertake management assessments of our internal control over financial reporting in connection with annual reports on Form 20-F for future years, any deficiencies uncovered by these assessments or any inability of our auditors to issue an unqualified opinion could harm our reputation and result in a loss of investor confidence in the reliability of our financial statements, which could cause the price of our equity shares and ADSs to decline.

The COSO has recently issued the new internal control framework (COSO 2013) that relies heavily on entity level controls and operational risks, in addition to controls over financial reporting. Our current management assurance systems are geared to respond to the earlier COSO framework, and we are currently in the process of transitioning to the COSO 2013 framework.

Table of Contents

We are committed to maintaining high standards of corporate governance and public disclosure, and our efforts to comply with evolving laws, regulations and standards in this regard have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In addition, the new laws, regulations and standards regarding corporate governance may make it more difficult for us to obtain director and officer liability insurance. Further, our board members, chief executive officer and chief financial officer could face an increased risk of personal liability in connection with the performance of their duties. As a result, we may face difficulties attracting and retaining qualified board members and executive officers, which could harm our business. If we fail to comply with new or changed laws or regulations and standards differ, our business and reputation may be harmed.

We are subject to the U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws, which impose restrictions and may carry substantial penalties.

The U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to officials for the purpose of obtaining or retaining business. These laws may require not only accurate books and records, but also sufficient controls, policies and processes to ensure business is conducted without the influence of bribery and corruption. Our policies mandate compliance with these anti-bribery laws, which often carry substantial penalties including fines, criminal prosecution and potential debarment from public procurement contracts. Failure to comply may also result in reputational damages.

We operate in certain jurisdictions that experience governmental corruption to some degree or are found to be low on the Transparency International Corruption Perceptions Index and, in some circumstances, anti-bribery laws may conflict with some local customs and practices. In addition, in many less-developed markets, we work with third-party distributors and other agents for the marketing and distribution of our products. Although our policies prohibit these third parties from making improper payments or otherwise violating these anti-bribery laws, any lapses in complying with such anti-bribery laws by these third parties may adversely impact us. Business activities in many of these markets have historically been more susceptible to corruption. If our efforts to screen third-party agents and detect cases of potential misconduct fail, we could be held responsible for the noncompliance of these third parties under applicable laws and regulations, including the U.S. Foreign Corrupt Practices Act.

Compliance with the U.S. Foreign Corrupt Practices Act and other anti-bribery laws has been subject to increasing focus and activity by regulatory authorities in recent years. We may be subject to injunctions or limitations on future conduct, be required to modify our business practices and compliance programs and/or have a compliance monitor imposed on us, or suffer other criminal or civil penalties or adverse impacts, including lawsuits by private litigants or investigations and fines imposed by local authorities.

Actions by our employees, or third-party intermediaries acting on our behalf, in violation of such laws, whether carried out in the United States or elsewhere, may expose us to liability for violations of such anti-bribery laws and accordingly may have a material adverse effect on our reputation and our business, financial condition or results of operations

Any failure to comply with the complex reporting and payment obligations under the Medicare and Medicaid programs or other laws regulating marketing practices may result in litigation or sanctions and adversely impact our business.

The U.S. laws and regulations regarding Medicare and/or Medicaid reimbursement and rebates and other governmental programs are complex. Some of the applicable laws may impose liability even in the absence of a

specific intent to defraud. The subjective decisions and complex methodologies used in making calculations under these programs are subject to review and challenge, and it is possible that such reviews could result in material changes in the calculation outcomes. In the past several years, state and federal government agencies have conducted ongoing investigations of manufacturers reporting practices with respect to a drug s average wholesale price (AWP) and wholesale acquisition cost (WAC), and in some cases have filed lawsuits in which they have alleged that reporting of inflated AWPs or WACs has led to excessive payments by Medicare and/or Medicaid for prescription drugs. In addition, we are notified from time to time of governmental investigations regarding marketing practices or pricing issues.

Responding to such queries and any resulting investigations or lawsuits is costly and unpredictable, and involves a significant diversion of management s attention. Such allegations could, if proven or settled, result in significant monetary penalties and possible exclusion from Medicare, Medicaid and other programs. In addition, government authorities have significant leverage to persuade pharmaceutical companies to enter into corporate integrity agreements, which can be expensive and disruptive to operations.

Table of Contents

If any of the above queries and/or investigations were to result in a lawsuit that was determined adversely to us or in a large cash settlement, it could require us to pay significant amounts and may have a material adverse effect on our business, results of operations, financial condition and cash flows.

Our success depends on our ability to successfully develop and commercialize new pharmaceutical products.

Our future results of operations depend, to a significant degree, upon our ability to successfully develop and commercialize additional products in our Pharmaceutical Services and Active Ingredients, Global Generics and Proprietary Products segments. We must develop, test and manufacture generic products as well as prove that our generic products are bio-equivalent or bio-similar to their branded counterparts, either directly or in partnership with contract research organizations. The development and commercialization process, particularly with respect to proprietary products and biosimilars, is both time consuming and costly and involves a high degree of business risk. Our products currently under development, if and when fully developed and tested, may not perform as we expect or meet our standards of safety and efficacy. Necessary regulatory approvals may not be obtained in a timely manner, if at all, and we may not be able to successfully and profitably produce and market such products. Our approved products may not achieve expected levels of market acceptance.

Our research and development efforts are increasingly dependent on collaborating with third party partners and contract research organizations which have the capability to handle complex technologies and products. Lack of effective project management at our end, or any failure to manage collaboration arrangements among multiple partners, may pose significant risks to product development, to our ability to obtain requisite regulatory approvals in a timely manner, and to our ability to successfully and profitably produce and market such products. Additionally, if we fail to adequately protect critical proprietary or confidential information or associated intellectual property rights or fail to manage third party partners and contract research organizations that our business depends on, it might have a material adverse impact on our product development execution.

We have grown at a very rapid pace. Our inability to properly manage or support this growth may have a material adverse effect on our business.

We have grown very rapidly over the past few years. This growth has significantly increased demands on our processes, systems and people. We have been making additional investments in personnel, systems and internal control processes to help manage our growth. Attracting, retaining and motivating key employees in various departments and locations to support our growth is critical to our business, and competition for these people can be intense.

To facilitate our growth, we are carrying out reorganizations and deploying initiatives to improve our focus on delivery, to build decisive competitive advantages or/and to build sustainable cost structures. There is also an increasing need to manage information and asset related security.

If we are unable to hire and retain qualified employees, or if we do not invest in systems and processes to manage and support our rapid growth, the failure to do so may have a material adverse effect on our business, financial condition and results of operations.

Fluctuations in our quarterly revenues, operating results and cash flows may adversely affect the trading price of our shares and ADSs.

Our quarterly revenues, operating results and cash flows have fluctuated significantly in the past and may fluctuate substantially from quarter to quarter in the future. Such fluctuations result from a variety of factors, including but not

limited to changes in demand for our products, timing of regulatory approvals and of launches of new products by us and our competitors (particularly where we obtain the 180-day period of market exclusivity in the United States provided under the Hatch-Waxman Act of 1984), timing of our retailers promotional programs and successful development and commercialization of limited competition and complex products. Such fluctuations may result in volatility in the price of our equity shares and our ADSs. In such an event, the trading price of our shares and ADSs may be adversely affected.

Table of Contents

Impairment charges or write downs in our books could have a significant adverse effect on our results of operations and financial results.

A substantial portion of the value of our assets pertains to various intangible assets and goodwill. The proportion of the intangible assets and goodwill to our total assets could increase significantly as we pursue various growth strategies. The value of these intangible assets and goodwill could be substantially impaired upon indications of impairment, with adverse effects on our financial condition and the value of our assets. For example, our financial performance for the years ended March 31, 2009 and 2010 was significantly impacted as a result of the impairments pertaining to our Germany operations.

There are inherent uncertainties involved in estimates, judgments and assumptions used in the preparation of financial statements in accordance with IFRS. Any future changes in estimates, judgments and assumptions used or necessary revisions to prior estimates, judgments or assumptions or changes in accounting standards could lead to a restatement or revision to previously issued financial statements.

The consolidated financial statements included in the periodic reports we file with the SEC are prepared in accordance with IFRS. The preparation of financial statements in accordance with IFRS involves making estimates, judgments and assumptions in areas such as valuation of inventories, sales returns, rebates and chargebacks provisions, determination of useful life of property, plant and equipment and intangible assets, assets and obligations relating to employee benefits, business combinations and contingencies. Estimates, judgments and assumptions are inherently subject to change in the future and any necessary revisions to prior estimates, judgments or assumptions could lead to a restatement. Furthermore, although we have recorded reserves for litigation related contingencies based on estimates of probable future costs, such litigation related contingencies could result in substantial further costs. Also, any new or revised accounting standards may require adjustments to previously issued financial statements. Any such changes could result in corresponding changes to the amounts of liabilities, revenues, expenses and income. Any such changes could have a material adverse effect on our business, financial condition, results of operations, cash flows, and/or share price.

There are risks associated with executing on our strategy.

There are risks associated with executing the strategies we adopt to achieve our core purpose as discussed in Item 4.B. below. Significant execution risks associated with our strategies include, but are not limited to:

- developing and executing our complex product development, manufacturing and marketing strategies for North America and other key markets;
- executing on our strategies for increasing our customer share and for key account management in our Active Pharmaceutical Ingredients (API) and Custom Pharmaceutical Services (CPS) businesses; and
- executing our execution excellence and change management initiatives to ensure process safety, product quality and availability.

Changes in Indian tax regulations may increase our tax liabilities and thus adversely affect our financial results.

Currently, we are entitled to various tax benefits and exemptions under Indian tax laws, such as tax benefits on research and development spending and exemptions applicable to income derived from manufacturing facilities located in certain tax exempted zones. Any changes in these laws or their application may increase our tax liability and thus adversely affect our financial results.

The Union Budget, 2015 has proposed to reduce the rate of corporate tax from 30% to 25% over the next 4 years in a phased manner starting from the fiscal year ended March 31, 2017, and the process of reduction in corporate tax rate would be accompanied by rationalization and removal of various kinds of tax exemption and incentives for corporate tax payers.

In India s Finance Act, 2012, the Government of India introduced a levy of service tax based on a negative list of services. Consequently, all services have become taxable, except notified exempted services. The Finance Act, 2015 has increased the rate of service tax from the present 12.36% (inclusive of surcharge and cess) to a consolidated rate of 14% effective as of June 1, 2015.

Table of Contents

Further, the Union Budget, 2015 has proposed to implement Goods and Service Tax (GST) from April 1, 2016. GST will put in place a state-of-the-art indirect tax system which will integrate State economies and boost overall growth. It is proposed to subsume other taxes such as Central Excise duty, Service tax, Octroi, VAT and Sales tax, entry tax, etc., into GST, thus avoiding multiple layers of taxation that currently exist in India. Earlier the Government of India had introduced the Constitution (122nd Amendment) Bill, 2014 on Goods and Services Tax (GST) in lower house of the Parliament (i.e. Lok Sabha) on December 19, 2014 and it was approved by Lok Sabha on May 6, 2015. This Constitution amendment bill was subsequently moved to Upper house of the Parliament (i.e. Rajya Sabha) for its approval. However it was referred to a Select Committee on May 12, 2015, which shall give its report in the first week of monsoon session of Parliament. The proposed amendments in the Constitution will confer powers both to the Parliament and State legislatures to make laws for levying GST on the supply of Goods and Services on the same transaction, thereby harmonizing the Indirect Tax regime in the country.

Under the Finance Act, 2013, the effective rate of dividend distribution tax (DDT) was 16.995% inclusive of surcharge and cess. The Finance Act (No 2) 2014 made an amendment in section 115-O, which requires grossing up of the dividend amount distributed for computing DDT. Pursuant to the amendment, effective October 1, 2014, the effective rate of DDT increased from 16.995% to 19.994% inclusive of surcharge and cess, and as a result, dividend amounts receivable by our shareholders after taxes are reduced. Furthermore, as a result of increase in rate of surcharge in the Finance Act, 2015, effective April 1, 2015, the effective rate of DDT has increased from 19.994% to 20.3576% at present. If the effective rate of dividend distribution tax increases in the future, the dividend amount receivable by our shareholders after taxes may decrease further.

We operate in jurisdictions that impose transfer pricing and other tax-related regulations on our intercompany arrangements, and any failure to comply could materially and adversely affect our profitability.

We are required to comply with various transfer pricing regulations in India and other countries. Failure to comply with such regulations may impact our effective tax rates and consequently affect our net margins. Additionally, we operate in numerous countries and our failure to comply with the local and municipal tax regimes may result in additional taxes, penalties and enforcement actions from such authorities. Although our intercompany arrangements are based on accepted tax standards, tax authorities in various jurisdictions may disagree with and subsequently challenge the amount of profits taxed in such jurisdictions, which may increase our tax liabilities and could have a material adverse effect on the results of our operations.

We enter into various agreements in the normal course of business which periodically incorporate provisions whereby we indemnify the other party to the agreement.

In the normal course of business, we periodically enter into agreements with vendors, customers, alliance partners, innovators and others that incorporate terms for indemnification provisions. Our indemnification obligations under such agreements may be unlimited in duration and amount. We maintain insurance coverage that we believe will effectively mitigate our obligations under certain of these indemnification provisions (for example, in the case of outsourced clinical trials). However, should our obligations under an indemnification provision exceed our coverage or should coverage be denied, it could have a material adverse impact on our business, financial position and results of operations.

Current economic conditions may adversely affect our industry, financial position and results of operations.

In recent years, the global economy has experienced volatility and an unfavorable economic environment, and these trends may continue in the future. Reduced consumer spending, reduced funding for national social security systems or shifting concentrations of payors and their preferences, may force our competitors and us to reduce prices. The

growth of our business may be negatively affected by high unemployment levels and increases in co-pays, which may lead some patients to delay treatments, skip doses or use less effective treatments to reduce their costs. We have exposure to many different industries and counterparties, including our partners under our alliance, research and promotional services agreements, suppliers of raw materials, drug wholesalers and other customers, who may be unstable or may become unstable in the current economic environment. We run the risk of delayed payments or even non-payment by our customers, which consist principally of wholesalers, distributors, pharmacies, hospitals, clinics and government agencies.

Significant changes and volatility in the consumer environment and in the competitive landscape may make it increasingly difficult for us to predict our future revenues and earnings.

Table of Contents

Risks from disruption to production, supply chain or operations from natural disasters could adversely affect our business and operations and cause our revenues to decline.

If flooding, droughts, earthquakes, volcanic eruptions or other natural disasters were to directly damage, destroy or disrupt our manufacturing facilities, it could disrupt our operations, delay new production and shipments of existing inventory or result in costly repairs, replacements or other costs, all of which would negatively impact our business. A significant portion of our manufacturing facilities are situated around Hyderabad, India, a region that has experienced earthquakes, floods and droughts in the past.

Even if we take precautions to provide back-up support in the event of such a natural disaster, the disaster may nonetheless affect our facilities, harming production and ultimately our business. And, even if our manufacturing facilities are not directly damaged, a large natural disaster may result in disruptions in distribution channels or supply chains. The impact of such occurrences depends on the specific geographic circumstances but could be significant.

In addition, there is increasing concern that climate change is occurring and may have dramatic effects on human activity without aggressive remediation steps. A modest change in temperature may cause a rising number of natural disasters. We cannot predict the economic impact, if any, of natural disasters or climate change.

If the world economy is affected due to terrorism, wars or epidemics, it may adversely affect our business and results of operations.

Several areas of the world, including India, have experienced terrorist acts and retaliatory operations in recent years. If the economy of our key markets (including but not limited to the United States, the United Kingdom, Germany, India, Venezuela and Russia) is affected by such acts, our business and results of operations may be adversely affected as a consequence.

In the last decade, Asia experienced outbreaks of avian influenza and Severe Acute Respiratory Syndrome, or SARS . In addition, in 2009 a rising death toll in Mexico from a new strain of Swine Flu led the World Health Organization to declare a public health emergency of international concern. If the economy of our key markets is affected by such outbreaks or other epidemics, our business and results of operations may be adversely affected as a consequence.

Our principal shareholders have significant control over us and, if they take actions that are not in the best interests of our minority shareholders, the value of their investment in our ADSs may be harmed.

Our full time directors and members of their immediate families, in the aggregate, beneficially owned 25.48% of our issued shares as at March 31, 2015. As a result, these people, acting in concert, are likely to have the ability to exercise significant control over most matters requiring approval by our shareholders, including the election and removal of directors and significant corporate transactions. This significant control by these directors and their family members could delay, defer or prevent a change in control, impede a merger, consolidation, takeover or other business combination involving us, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us. As a result, the value of the equity shares and/or ADSs of our minority shareholders may be adversely affected or our minority shareholders might be deprived of a potential opportunity to sell their equity shares and/or ADSs at a premium.

RISKS RELATING TO INVESTMENTS IN INDIAN COMPANIES

We are an Indian company. Our headquarters are located in India, a substantial part of our operations are conducted in India and a significant part of our infrastructure and other assets are located in India. In addition, a substantial portion

of our total revenues for the year ended March 31, 2015 continued to be derived from sales in India. As a result, the following additional risk factors apply that are not specific to our company or industry.

We may be subjected to additional compliance and litigation risks as a result of introduction of the new Companies Act, 2013 in India and changes to the SEBI Equity Listing Agreement.

As a company that is incorporated in India, we are governed by the rules and regulations covered under the Indian Companies Act, 1956. Significant amendments to the Companies Act were adopted in 2013 and 2014 and a majority of the provisions of the new Act (called the Companies Act, 2013) were implemented beginning in April, 2014. Some of the significant changes were in the areas of board and governance processes, boardroom responsibilities, disclosures, compulsory corporate social responsibility, audit matters, initiation of class action suits by shareholders or depositors, fraud reporting and whistle-blower mechanisms.

Table of Contents

In addition, the Securities and Exchange Board of India (SEBI) revised certain requirements of the Equity Listing Agreement pertaining to corporate governance matters that must be followed by listed Indian public companies effective as of October 1, 2014. Some of these changes were intended to align the Equity Listing Agreement with the requirements of the Companies Act, 2013, while others included: new requirements as to parent company shareholder approval for certain sales or leases of assets or disinvestments in subsidiaries; risk management committee requirements for certain large companies; requirements that plans be in place for orderly succession for appointments to the board and senior management; shareholder approval requirements for certain transactions with related parties; and increased definitions of the rights and roles of shareholders.

Certain provisions of the Companies Act, 2013 and the new Equity Listing Agreement clauses are subject to varying interpretations and their application in practice may evolve over time as additional guidance is provided by regulatory and governing bodies. This may result in delays or continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions.

If communal disturbances or riots erupt in India, or if regional hostilities increase, this would adversely affect the Indian economy, which our business depends upon.

India has experienced communal disturbances, terrorist attacks and riots during recent years. For example, Mumbai, India s commercial capital, was the target of serial railway bombings in July 2006 as well as the 26/11 attacks on November 26, 2008. Hyderabad, the city in which we are headquartered, was also subjected to terrorist acts in May and August 2007 and more recently in February 2013, although none of our operations were impacted by these terrorist acts.

During the last several years, the state of Telangana, where our headquarters is located, experienced political disruption relating to a movement to bifurcate a part of the then existing undivided state of Andhra Pradesh into a new separate state of Telangana . In February 2014, the Indian Parliament approved such bifurcation and announced creation of a new state of Telangana with effect from June 2, 2014.

Due to civil disturbances and Bandhs (i.e., political protests in the form of worker strikes), several productive days were lost from forced or precautionary closures of our production units and offices during the agitation movement. We experienced such issues in 2009 and 2013 in Andhra Pradesh (now Telangana). If there are any such strikes, political protests or civil unrest in the future, our business and results of operations may be adversely affected as a consequence.

Additionally, India has from time to time experienced hostilities with neighboring countries. The hostilities have continued sporadically. Hostilities and tensions may occur in the future and on a wider scale. These hostilities and tensions could lead to political or economic instability in India and harm our business operations, our future financial performance and the price of our shares and our ADSs.

A slowdown in economic growth in India may adversely affect our business and results of operations.

Our performance and the quality and growth of our business are necessarily dependent on the health of the overall Indian economy. The Indian economy has grown significantly over the past few years. Any future slowdown in the Indian economy could harm us, our customers and other contractual counterparties. In addition, the Indian economy is in a state of transition. The share of the services sector of the Indian economy is rising while that of the industrial, manufacturing and agricultural sector is declining. It is difficult to gauge the impact of these fundamental economic changes on our business.

If wage costs or inflation rise in India, it may adversely affect our competitive advantages over higher cost countries and our profits may decline.

Wage costs in India have historically been significantly lower than wage costs in developed countries and have been one of our competitive strengths. However, wage increases in India may increase our costs, reduce our profit margins and adversely affect our business and results of operations.

Due to various macro-economic factors, the rate of inflation has recently been highly volatile in India. According to the economic report released by the Department of Economic Affairs, Ministry of Finance in India, the annual inflation rate in India, as measured by the benchmark wholesale price index, Base 2004-05=100 was -2.33% for the year ended March 31, 2015 (as compared to 6.00% for the year ended March 31, 2014). This trend may continue to fluctuate and/or the rate of inflation may rise substantially. We may not be able to pass these inflationary costs on to our customers by increasing the price we charge for our products. If this occurs, our profits may decline.

Table of Contents

Stringent labor laws may adversely affect our ability to have flexible human resource policies; labor union problems could negatively affect our production capacity and overall profitability.

Labor laws in India are more stringent than in other parts of the world. These laws may restrict our ability to have human resource policies that would allow us to react swiftly to the needs of our business. Approximately 5% of our employees belong to a number of different labor unions. If we experience problems with our labor unions, our production capacity and overall profitability could be negatively affected.

OTHER RISKS RELATING TO OUR ADSs

THAT ARE NOT SPECIFIC TO OUR COMPANY OR INDUSTRY

Indian law imposes certain restrictions that limit a holder s ability to transfer the equity shares obtained upon conversion of ADSs and repatriate the proceeds of such transfer, which may cause our ADSs to trade at a premium or discount to the market price of our equity shares.

Under certain circumstances, the Reserve Bank of India must approve the sale of equity shares underlying ADSs by a non-resident of India to a resident of India. The Reserve Bank of India has given general permission to effect sales of existing shares or convertible debentures of an Indian company by a resident to a non-resident, subject to certain conditions, including the price at which the shares must be sold. Additionally, except under certain limited circumstances, if an investor seeks to convert the Indian rupee proceeds from a sale of equity shares in India into foreign currency and then repatriate that foreign currency from India, he or she will have to obtain an additional approval from the Reserve Bank of India for each such transaction. Required approval from the Reserve Bank of India or any other government agency may not be obtained on terms favorable to a non-resident investor or at all.

There are limits and conditions to the deposit of shares into the ADS facility.

Indian legal restrictions may limit the supply of our ADSs. The only way to add to the supply of our ADSs will be through a primary issuance because the depositary is not permitted to accept deposits of our outstanding shares and issue ADSs representing those shares. However, an investor in our ADSs who surrenders an ADS and withdraws our shares will be permitted to redeposit those shares in the depositary facility in exchange for our ADSs. In addition, an investor who has purchased our shares in the Indian market will be able to deposit them in the ADS program, but only in a number that does not exceed the number of underlying shares that have been withdrawn from and not re-deposited into the depositary facility. Moreover, there are restrictions on foreign institutional ownership of our equity shares as opposed to our ADSs.

Financial instability in other countries, particularly emerging market countries in Asia, could affect our business and the price and liquidity of our shares and our ADSs.

The Indian markets and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. Although economic conditions are different in each country, investors reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. Any worldwide financial instability or any loss of investor confidence in the financial systems of Asian or other emerging markets could increase volatility in Indian financial markets or adversely affect the Indian economy in general. Either of these results could harm our business, our future financial performance and the price of our equity shares and ADSs.

If U.S. investors in our ADSs are unable to exercise preemptive rights available to our non-U.S. shareholders due to the registration requirements of U.S. securities laws, the investment of such U.S. investors in our ADSs may be diluted.

A company incorporated in India must offer its holders of shares preemptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of any shares, unless these rights have been waived by at least 75% of our shareholders present and voting at a shareholders general meeting. U.S. investors in our ADSs may be unable to exercise preemptive rights for the shares underlying our ADSs unless a registration statement under the Securities Act of 1933 is effective with respect to the rights or an exemption from the registration requirements of the Securities Act is available. Our decision to file a registration statement will depend on the costs and potential liabilities associated with a registration statement as well as the perceived benefits of enabling U.S. investors in our ADSs to exercise their preemptive rights and any other factors we consider appropriate at the time. We might choose not to file a registration statement under these circumstances. If we issue any of these securities in the future, such securities may be issued to the depositary, which may sell them in the securities markets in India for the benefit of the investors in our ADSs. There can be no assurances as to the value, if any, the depositary would receive upon the sale of these securities. To the extent that U.S. investors in our ADSs are unable to exercise preemptive rights, their proportional interests in us would be reduced.

Table of Contents

Our equity shares and our ADSs may be subject to market price volatility, and the market price of our equity shares and ADSs may decline disproportionately in response to adverse developments that are unrelated to our operating performance.

Market prices for the securities of Indian pharmaceutical companies, including our own, have historically been highly volatile, and the market has from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. Factors such as the following can have an adverse effect on the market price of our ADSs and equity shares:

- general market conditions,
- speculative trading in our shares and ADSs, and
- developments relating to our peer companies in the pharmaceutical industry.

There may be less company information available in Indian securities markets than securities markets in developed countries.

There is a difference between the level of regulation and monitoring of the Indian securities markets over the activities of investors, brokers and other participants, as compared to the level of regulation and monitoring of markets in the United States and other developed economies. The Securities and Exchange Board of India is responsible for improving disclosure and other regulatory standards for the Indian securities markets. The Securities and Exchange Board of India has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in developed countries, which could affect the market for our equity shares and ADSs.

Indian stock exchange closures, broker defaults, settlement delays, and Indian Government regulations on stock market operations could affect the market price and liquidity of our equity shares.

The Indian securities markets are smaller than the securities markets in the United States and Europe and have experienced volatility from time to time. The regulation and monitoring of the Indian securities market and the activities of investors, brokers and other participants differ, in some cases significantly, from those in the United States and some European countries. Indian stock exchanges have at times experienced problems, including temporary exchange closures, broker defaults and settlement delays and if similar problems were to recur, they could affect the market price and liquidity of the securities of Indian companies, including our shares. Furthermore, any change in Indian Government regulations of stock markets could affect the market price and liquidity of our equity shares and ADSs.

ITEM 4. INFORMATION ON THE COMPANY

4.A. *History and development of the company*

Dr. Reddy s Laboratories Limited was incorporated in India under the Companies Act, 1956, by its promoter and our former Chairman, the late Dr. K. Anji Reddy, as a Private Limited Company on February 24, 1984. We were converted to a Public Limited Company on December 6, 1985 and listed on the Indian Stock Exchanges in August

1986 and on the New York Stock Exchange on April 11, 2001. We are registered with the Registrar of Companies, Hyderabad, Telangana, India as Company No. 4507 (Company Identification No. L85195TG1984PLC004507). Our registered office is situated at 8-2-337, Road No. 3, Banjara Hills, Hyderabad, Telangana 500 034, India and the telephone number of our registered office is +91-40-49002900. The name and address of our registered agent in the United States is Dr. Reddy s Laboratories, Inc., 107 College Road East, Princeton, New Jersey 08540.

Table of Contents

Key business developments:

Filing of three 505(b)(2) New Drug Applications with the U.S. Food and Drug Administration

During March and April 2015, we filed three 505(b)(2) New Drug Applications (NDAs) with the U.S. Food and Drug Administration (U.S. FDA):

- DFD-01, a corticosteroid delivered in a novel non-irritating spray platform, intended for the treatment of patients suffering from psoriasis;
- DFD-09, a modified release oral tetracycline intended for the treatment of rosacea; and
- DFN-11, a drug-device combination product intended to treat acute migraine episodes in certain patient populations who are inadequately managed with existing treatment regimens.

Agreement with Novartis Consumer Health Inc.

Refer to Note 38 to our consolidated financial statements.

Collaboration agreement with Curis, Inc.

Refer to Note 33 to our consolidated financial statements.

Acquisition of select portfolio of the established products business of UCB in India

Refer to Note 40 to our consolidated financial statements.

Key product launches

In October 2014, we launched sirolimus tablets 1 mg and 2 mg, a therapeutic equivalent generic version of RAPAMUNE® (sirolimus) tablets in the United States, following the approval by the U.S. FDA. The RAPAMUNE® tablets brand had U.S. sales of approximately $206 million for the twelve months ended August 31, 2014, according to IMS Health.

In December 2014, we launched valganciclovir tablets USP 450 mg, a therapeutic equivalent generic version of VALCYTE® (valganciclovir) tablets in the United States, following the approval by the U.S. FDA. The VALCYTE® tablets brand had U.S. sales of approximately $440 million for the twelve months ended October 31, 2014, according to IMS Health.

In December 2014 and February 2015, we launched pregabalin capsules in Germany and the United Kingdom, respectively, following the approval by the European regulatory agencies. Our pregabalin capsules are indicated for epilepsy and generalized anxiety disorder (and not indicated for neuropathic pain). Pregabalin capsules of the innovator (LYRICA® from Pfizer) are indicated for neuropathic pain, epilepsy and generalised anxiety disorder. LYRICA® capsules brand had Germany sales and U.K sales of approximately $379 million and $457 million, respectively, for the twelve months ended December 31, 2014, according to IMS Health.

In December 2014, we acquired the title and rights to the Habitrol® brand (an over-the-counter nicotine replacement therapy transdermal patch) from Novartis Consumer Health Inc. and began distribution of the product in the United States.

For a list of other products we launched in the United States during the year ended March 31, 2015, refer to Item 5.A Operating results .

Organizational changes

We carried out the following organizational changes as part of our overall strategy of driving growth through competitive advantage:

In May 2014, Abhijit Mukherjee, President, Global Generics was appointed as Chief Operating Officer. Prior to such appointment, he was responsible for our Global Generics business. Since such appointment, he has been responsible for our Global Generics business as well as our Pharmaceutical Services and Active Ingredients (PSAI) business.

Commencing April 2015, all of our Chemical Technology Operations (CTO) and Formulation Technology Operations (FTO) were brought under the unified leadership of Mr. Samiran Das to enable cross learning between these units, provide benefits of scale and foster an integrated operating framework. Along similar lines, the supply chain management function across our company was brought under the unified leadership of Mr. P. Yugandhar. Further, Mr. KVS Ram Rao now heads our PSAI commercial organization and manages its sales, strategy, business development and new product management.

Table of Contents

Principal capital expenditures:

During the years ended March 31, 2015, 2014 and 2013, we invested Rs.9,167 million, Rs.9,996 million and Rs.6,606 million (net of sales of capital assets), respectively, in capital expenditures for manufacturing, research and development facilities and other assets. We believe that these investments will create the capacity to support our strategic growth agenda. As of March 31, 2015, we also had contractual commitments of Rs.4,173 million for capital expenditures. These commitments included Rs.4,018 million to be spent in India and Rs.155 million in other countries. We currently intend to finance our additional capital expansion plans entirely through our operating cash flows and through cash and other investments.

Table of Contents

4.B. ***Business overview***

Established in 1984, we are an integrated global pharmaceutical company committed to providing affordable and innovative medicines through our three core business segments:

Global Generics;

Pharmaceutical Services and Active Ingredients (PSAI); and

Proprietary Products.

Global Generics. This segment consists of our 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 our biologics business.

Pharmaceutical Services and Active Ingredients. This segment includes our 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 our contract research services business and our manufacture and sale of active pharmaceutical ingredients and steroids in accordance with specific customer requirements.

Proprietary Products. This segment consists of our differentiated formulations business, our new chemical entities (NCEs) business, and our dermatology focused specialty business operated through Promius Pharma.

Others. This includes the operations of our wholly-owned subsidiary, Aurigene Discovery Technologies Limited, a discovery stage biotechnology company developing novel and best-in-class therapies in the fields of oncology and inflammation and which works with established pharmaceutical and biotechnology companies in early-stage collaborations, bringing drug candidates from hit generation through Investigational New Drug (IND) filing.

We have a strong presence in highly regulated markets such as the United States, the United Kingdom and Germany, as well as other key markets such as India, Russia, Venezuela, Romania, South Africa and certain countries of the former Soviet Union.

OUR STRATEGY

Our core purpose is to accelerate access to affordable and innovative medicines. Spiraling health care costs across the world have put many medicines out of the reach of millions of people who desperately need them. As a global pharmaceutical company, we take very seriously our responsibility to offer affordable alternatives to expensive medicines and help patients manage their disease better. Our strategy to achieve this core purpose is to focus on delivering first-to-market, tough-to-make products, developing differentiated products for unmet medical needs, introducing value-added services for patients and customers, and ensuring availability of our products through a reliable and flexible supply chain. The key elements of our strategy include the following:

Strengths in Science and Technology

Our strengths in science and technology range from synthetic organic chemistry, formulation development, biologics development and small molecule based drug discovery. Such expertise enables the creation of unique competitive advantages with an industry-leading intellectual property and technology-leveraged product portfolio.

Product Offerings

Global Generics: Through our branded and unbranded drug products, we aim to offer affordable alternatives to highly-priced innovator brands, both directly and through key partnerships.

Branded Generics: We seek to have a portfolio that is strongly focused on delivering first-to-market, differentiated products to doctors and patients. Many of our brands hold significant market shares in the molecule and therapy areas where they are present. We have also entered into strategic partnerships with third parties to sell our products in markets where we have not established our own sales and distribution operations.

Unbranded Generics: We aim to ensure that our development capabilities remain strong and enable us to deliver first to market, tough-to-make and supply products that are technologically challenging.

Table of Contents

Our biologics business seeks to accelerate access to bio-similar products globally through process development and relevant clinical research. We were the first company to launch a generic version of rituximab in 2007, and have launched 4 bio-similar products in India and other key markets.

Our vertical integration and process innovation helps to ensure that quality products are available to the patients in need at all times.

Pharmaceutical Services and Active Ingredients: Our Pharmaceutical Services and Active Ingredients segment is comprised of our Active Pharmaceutical Ingredients (API) business and our Custom Pharmaceutical Services (CPS) business. Through our API and CPS businesses, we aim to offer technologically advanced product lines and niche product services through partnerships internally and externally.

Our product offerings in our API business are positioned to offer intellectual property and technology-advantaged products to enable launches ahead of others at competitive prices.

Through our CPS business, we aim to offer niche product service capabilities, technology platforms, and competitive cost structures to innovator and biotechnology companies.

Proprietary Products: Our Proprietary Products business is comprised of our Differentiated Formulations business, our New Chemical Entity (NCE) research business and our dermatology focused Specialty business.

Differentiated Formulations: Our Differentiated Formulations business works to improve patient outcomes by identifying unmet medical needs and addressing them through innovative products and services that are affordable and accessible.

New Chemical Entities (NCEs): We are also focused in the discovery, development and commercialization of novel small molecule agents in therapeutic areas such as anti-infectives, metabolic disorders, and pain and inflammation.

Specialty business: We have a commercial portfolio of in-licensed patented dermatology products. We also have an internal pipeline of dermatology products in various stages of development.

Execution Excellence (Building Blocks)

Execution excellence provides the framework to create sustainable customer value across all of our activities. We have been investing in the following to achieve this:

Safety. The concept of safety has been imbued in the operating culture throughout the organization. Specific initiatives are being carried out to increase safety awareness, to achieve a safe working environment, to avoid accidents and injuries, and to minimize the loss of manufacturing time.

Quality. We are fully dedicated to quality and have robust quality processes and systems in place at our developmental and manufacturing facilities to ensure that every product is safe and of high quality. In addition, we have integrated Quality by Design to build quality into all processes and use quality tools to minimize process risks.

Principles of the Theory of Constraints and Lean Manufacturing. Our supply chain and product development processes are designed on the principles of the Theory of Constraints and lean manufacturing. This results in a flexible supply chain which is able to increase availability of products to the customer with reduced cycle time and waste.

Leadership Development. We are focused on developing leaders, as well as enhancing leadership behavior, across our organization.

Table of Contents

OUR PRINCIPAL AREAS OF OPERATIONS

The following table shows our revenues and the percentage of total revenues of our business segments for the years ended March 31, 2015, 2014 and 2013, respectively:

		Year Ended March 31,					
Segment		**2015**		**2014**		**2013**	
		(Rs. in millions, U.S.$ in millions)					
Global Generics	U.S.$ 1,935	Rs.120,556	81%	Rs.105,164	80%	Rs.82,563	71%
Pharmaceutical Services and Active Ingredients	409	25,456	17%	23,974	18%	30,702	26%
Proprietary Products	16	1,013	1%	1,778	1%	1,468	1%
Others	19	1,164	1%	1,254	1%	1,533	2%
Total Revenue	**U.S.$ 2,378**	**Rs.148,189**	**100%**	**Rs.132,170**	**100%**	**Rs.116,266**	**100%**

Revenues by geographic market and by therapeutic area for the years ended March 31, 2015, 2014 and 2013 are discussed in Note 5 to our consolidated financial statements.

Global Generics Segment

The production processes for finished dosages are similar, to a certain extent, regardless of whether the finished dosages are to be marketed to highly regulated or less regulated markets. In many cases, the processes share common and interchangeable facilities and employee bases, and use similar raw materials. However, differences remain between highly regulated and less regulated markets in terms of manufacturing, packaging and labeling requirements and the intensity of regulatory oversight, as well as the complexity of patent regimes. While the degree of regulation in certain markets may impact product development, we are observing increasing convergence of development needs throughout both highly regulated and less regulated markets. As a result, when we begin the development of a product, we may not necessarily target it at a particular market, but will instead target the product towards a cluster of markets that will include both highly regulated and less regulated markets.

Today, we are one of the leading generic pharmaceutical companies in the world. With the integration of all the markets where we are selling generic pharmaceuticals into our Global Generics segment, our front-end business strategies in various markets and our support services in India are increasingly being developed with a view to leverage our global infrastructure.

Our Global Generics segment s revenues were Rs.120,556 million in the year ended March 31, 2015, as compared to Rs.105,164 million in the year ended March 31, 2014. The revenue growth was largely led by this segment s operations in the United States, India, Venezuela and the United Kingdom. The following is a discussion of the key markets in our Global Generics segment.

India

Approximately 15% of our Global Generics segment s revenues in the year ended March 31, 2015 were derived from sales in the Indian market. In India, our key therapeutic categories include gastro-intestinal, cardiovascular, pain management and oncology. We are also increasing our presence in the niche areas of dermatology, urology and

nephrology.

As of March 31, 2015, we had a total of 260 branded products in India. Our top ten branded products together accounted for 34% of our revenues in India in the year ended March 31, 2015. According to IMS Health, in its moving annual total report for the 12-month period ended March 31, 2015, our secondary sales in India grew by 13.1%. In comparison, the Indian pharmaceutical market experienced growth of 12.1% during such period. IMS Health is a provider of market research to the Indian pharmaceutical industry. Strategic Marketing Solutions and Research Center Private Limited (SMSRC), a prescription market research firm, in its report measuring pharmaceutical prescriptions in India for the period from November 2014 to February 2015, ranked us 12th in terms of the number of prescriptions generated in India during such period.

Table of Contents

Sales, marketing and distribution network

We generate demand for our products through our 5,176 sales representatives (which include representatives engaged by us on a contract basis through a service provider) and front line managers, who frequently visit doctors to detail our related product portfolio. They also visit various pharmacies to ensure that our brands are adequately stocked.

We sell our products primarily through clearing and forwarding agents to approximately 2,500 wholesalers who decide which brands to buy based on demand. The wholesalers pay for our products in an agreed credit period and in turn sell these products to retailers. Our clearing and forwarding agents are responsible for transporting our products to the wholesalers. We pay our clearing and forwarding agents on a commission basis. We have insurance policies that cover our products during shipment and storage at clearing and forwarding locations.

In April 2015, we 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 established products business in the territories of India, Nepal, Sri Lanka and Maldives. The purchased business was acquired on a slump sale basis (an Indian tax law concept which refers to the transfer of a business as a going concern without values being assigned to individual assets and liabilities). The transaction includes approximately 350 employees engaged in operations of the acquired India business. The acquisition is expected to strengthen our presence in the areas of dermatology, respiratory and pediatric products. The total purchase consideration was Rs.8,000 million. The acquisition was closed on June 16, 2015.

Competition

We compete with different companies in the Indian formulations market, depending upon therapeutic and product categories and, within each category, upon dosage strengths and drug delivery. On the basis of sales, we were the 16th largest pharmaceutical company in India, with a market share of 2.2%, according to IMS Health in its moving annual total report for the 12-month period ended March 31, 2015.

Some of the key observations on the performance of the Indian pharmaceutical market, as published by IMS Health in its moving annual total report for the 12-month period ended March 31, 2015, are as follows:

- The Indian pharmaceutical market experienced growth of 12.1% for such period.
- New products launched in the preceding 24 months accounted for 5.2% of total Indian pharmaceutical growth for such period.
- The top 300 existing brands grew at a rate of 12.8%, which was 0.7% higher than the Indian pharmaceutical market s overall average, and together they account for 30.9% of the market s total sales.
- There was an increasing emergence of bio-similar products to address the needs of patients in the oncology therapeutic area.

Our principal competitors in the Indian market include Cipla Limited, GlaxoSmithKline Pharmaceuticals Limited, Cadila Healthcare Limited, Sun Pharmaceutical Industries Limited, Alkem Limited, Mankind Pharma Limited, Pfizer

Limited, Abbott India, Lupin Limited, Aristo Pharma Limited, Intas Pharma, Sanofi India Limited and Emcure Pharmaceuticals Limited.

Government regulations

The manufacturing and marketing of drugs, drug products and cosmetics in India is governed by many statutes, regulations and guidelines, including but not limited to the following:

The Drugs and Cosmetics Act, 1940 and the Drugs and Cosmetics Rules, 1945;

The Drugs and Magic Remedies (Objectionable Advertisements) Act, 1954;

The Narcotic Drugs and Psychotropic Substances Act, 1985;

The Drugs (Price Control) Order, 1995 and 2013, read in conjunction with the Essential Commodities Act, 1955;

The Medicinal and Toilet Preparations (Excise Duties) Act, 1955; and

The National Pharmaceuticals Pricing Policy, 2012.

Table of Contents

These statutes, regulations and guidelines govern the testing, manufacturing, packaging, labeling, storing, record-keeping, safety, approval, advertising, promotion, sale and distribution of pharmaceutical products.

Pursuant to the amendments in May 2005 to Schedule Y of the Drugs and Cosmetics Act, 1940, manufacturers of finished dosages are required to submit additional technical data to the Drugs Controller General of India in order to obtain a no-objection certificate for conducting clinical trials as well as to manufacture new drugs for marketing.

An approval is required from the Ministry of Health before a generic equivalent of an existing or referenced brand drug can be marketed. When processing a generics application, the Ministry of Health usually waives the requirement of conducting complete clinical studies, although it generally requires bio-availability and/or bio-equivalence studies. Bio-availability indicates the rate and extent of absorption and levels of concentration of a drug product in the blood stream needed to produce a therapeutic effect. Bio-equivalence compares the bioavailability of one drug product with another, and when established, indicates that the rate of absorption and levels of concentration of the active drug substance in the body are equivalent for the generic drug with the previously approved drug. A generic application may be submitted for a drug on the basis that it is the equivalent of a previously approved drug. Before approving our generic products, the Ministry of Health also requires that our procedures and operations conform to current Good Manufacturing Practice (cGMP) regulations, relating to good manufacturing practices as defined by various countries. We must follow the cGMP regulations at all times during the manufacture of our products. We continue to spend significant time, money and effort in the areas of production and quality testing to help ensure full compliance with cGMP regulations.

The timing of final Ministry of Health approval of a generic application depends on various factors, including patent expiration dates, sufficiency of data and regulatory approvals.

On March 22, 2005, the Government of India passed the Patents (Amendment) Bill, 2005 (the 2005 Amendment), introducing a product patent regime for food, chemicals and pharmaceuticals in India. The 2005 Amendment specifically provides that new medicines (patentability of which is not specifically excluded) for which a patent has been applied for in India on or after January 1, 1995 and for which a patent is granted cannot be manufactured or sold in India by anyone other than the patent holder and its assignees and licensees. This has resulted in a reduction of new product introductions in India for all Indian pharmaceutical companies engaged in the development and marketing of generic finished dosages and APIs. Processes for the manufacture of APIs and formulations were patentable in India even prior to the 2005 Amendment, so no additional impact results from patenting of such processes.

Under the present drug policy of the Government of India, certain drugs have been specified under the Drugs (Prices Control) Order, 2013 (the DPCO) as subject to price control. The Government of India established the National Pharmaceutical Pricing Authority (NPPA) to control pharmaceutical prices. Under the DPCO, the NPPA has the authority to fix the maximum selling price for specified products.

During the year ended March 31, 2013, the Department of Pharmaceuticals under the ministry of Chemicals and Fertilizers of the Government of India proposed the National Pharmaceuticals Pricing Policy, 2012, a revised national Pharmaceutical Pricing policy to apply price controls to 348 drugs listed in National List of Essential Medicines. Some of our formulation products are subject to these price controls.

On May 15, 2013, the Department of Pharmaceuticals released Drugs (Price Control) Order, 2013 governing the price control mechanism for 348 drugs listed in the National List of Essential Medicines. As per this order, the prices of each of the drugs are determined based on the simple average of all drugs having market share of more than 1% by value. The individual drug price notifications for almost all of the products have been released by the NPPA. Based on these notifications, we were adversely impacted by approximately 3% (the annualized impact is approximately 4%) of

our annual revenues from sales of all of our formulation products in India during the year ended March 31, 2014.

Russia and other Countries of the former Soviet Union

Russia

Russia accounted for 12% of our Global Generics segment s revenues in the year ended March 31, 2015. IMS Health ranked us 17th in sales in Russia with a market share of 1.77% as of March 31, 2015 in its moving annual total report for the 12-months ended March 31, 2015. According to IMS Health, as per its moving annual total report for the 12 months ended March 31, 2015, our sales value growth and volume decrease for the year ended March 31, 2015 were 10.1% and 2.7%, respectively, as compared to the Russian pharmaceutical market value growth and volume decrease of 12.3% and 1.3%, respectively. We were the top ranked Indian pharmaceutical company in Russia for such period.

Table of Contents

Our top four brands, Nise, Omez, Ketorol and Cetrine, accounted for 60% of our Global Generics segment s revenues in Russia in the year ended March 31, 2015. Omez (an anti-ulcerant product), Nise and Ketorol (both pain management products) and Cetrine (a respiratory product) were ranked as the 65th, 14th, 97th and 150th best-selling formulation brands, respectively, in the Russian market as of March 31, 2015 by IMS Health in its moving annual total retail segment report for the 12 months ended March 31, 2015.

Our strategy in Russia is to focus on the gastro-intestinal, pain management, anti-infectives, respiratory, oncology and cardiovascular therapeutic areas. Our focus is on building leading brands in these therapeutic areas in prescription, over-the-counter and hospital sales. Nise, Omez, Ketorol, Cetrine and Ciprolet continue to be brand leaders in their respective categories, as reported by IMS Health in its moving annual total report for the 12-months ended March 31, 2015.

Novigan, a pain management product, and Ibuclin, a cold and flu product, were switched from prescription to over-the-counter during the years ended March 31, 2013 and 2014, respectively. Revenues from these products grew by 8.6% and 86%, respectively, as reported by IMS Health in its moving annual total report for the 12-months ended March 31, 2015.

Growth (in Russian rouble absolute currency terms) during the year ended March 31, 2015 was driven by increased marketing initiatives for prescription products, launches of new products and scaling up of media and pharmacy chain activities for over-the-counter medicines. However, such revenue growth measured in Indian rupees was adversely impacted due to depreciation of the Russian rouble by approximately 22% as compared to the year ended March 31, 2014.

Other Countries of the former Soviet Union

We operate in other countries of the former Soviet Union, including Ukraine, Kazakhstan, Belarus and Uzbekistan. For the year ended March 31, 2015, revenues from these countries accounted for approximately 3% of our total Global Generics segment s revenues.

Sales, marketing and distribution network

Our marketing and promotion efforts in our Russian prescription division is driven by a team of 284 medical representatives and 48 managers to detail our products to doctors in 77 cities in Russia.

Our Russian over-the-counter (OTC) division has 226 medical representatives and 40 managers and is focused on establishing a network of relationships with key pharmacy chains and individual pharmacies. Our Russian hospital division has 41 hospital specialists and 17 key account managers, and is focused on expanding our presence in hospitals and institutes.

In Russia, we generally extend credit only to customers after they have established a satisfactory history of payment with us. The credit ratings of these customers are based on turnover, payment record and the number of the customers branches or pharmacies, and are reviewed on a periodic basis. We review the credit terms offered to our key customers on a periodic basis and modify them to take into account the macro-economic scenario in Russia.

Competition

Our principal competitors in the Russian market include Berlin Chemi AG, Gedeon Richter Limited, Krka d.d., Teva Pharmaceutical Industries Ltd., Lek-Sandoz Pharmaceuticals (an affiliate of Novartis Pharma A.G.), Ranbaxy

Laboratories Limited, Nycomed International Management GmbH and Zentiva N.V. (an affiliate of Sanofi-Aventis S.A.).

Government regulation

The Russian government s prioritization plan for the pharmaceutical market is making a transition from a largely out-of-pocket market to the western European model of centralized reimbursements. In January 2005, Russia s federal drug supply system (the Dopolnitelnoye lekarstvennoye obespechenoye, or DLO) was introduced with the objective of subsidizing medicine expenditures for sectors of the population with low income or certain categories of illnesses. The initial budget provided approximately 10% of the population with state-funded benefits for medicine expenditures. In late 2007, the Russian government decentralized the DLO and split it into two components. The first component, known as the 7 nosologies program, remains centralized and covers expensive treatments for patients with certain severe chronic diseases. The second component, known as the ONLS program, involves regional purchasing and covers the medicines reimbursed for patients who are designated members of vulnerable groups, such as children, pregnant women, veterans and the elderly.

Table of Contents

In order to promote local industry, in October 2009 the Russian government announced the Strategy of Pharmaceutical Industry Development in the Russian Federation for the period up to the year 2020 (or the Pharma 2020 plan), which aims to develop the research, development and manufacturing of pharmaceutical products by Russia s domestic pharmaceutical industry. The goal of the Pharma 2020 plan is to reduce Russia s reliance on imported pharmaceutical products and increase Russia s self-sufficiency in that regard. In March 2011, the Russian government announced the approval of 120 billion roubles ($4 billion) in financing for the Pharma 2020 plan.

During the year ended March 31, 2010, the Russian government announced a reference pricing regime, pursuant to which a price freeze on certain drugs categorized as essential was implemented effective as of April 2010. Pharmaceutical companies have had to register maximum import prices for approximately 5,000 drugs on a list of Essential and Vital Drugs (also known as the ZhNVLS). During the year ended March 31, 2011, the Russian government announced price re-registration in local currency (Russian roubles) for drugs categorized as essential and the new registered prices were effective as of December 10, 2010. Also, effective as of September 1, 2010, the price controls on certain drugs categorized as non-essential were removed by the Russian Ministry of Health.

For the past several years, the Russian Ministry of Industry and Trade has enacted and renewed short term government regulations under which local manufacturers (i.e., in Russia, Belarus and Kazakhstan) get a 15% price preference over non-local manufacturers in procurement tenders by the state.

During the year ended March 31, 2012, Russia introduced Federal Law # 323, titled On the Foundations of Healthcare for Russian Citizens . Portions of this new law became effective on November 23, 2011 and the remainder became effective on January 1, 2012. This new law imposes stringent restrictions on interactions between (i) healthcare professionals, pharmacists, healthcare management organizations, opinion leaders (both governmental and from the private sector) and certain other parties (collectively referred to as healthcare decision makers) and (ii) companies that produce or distribute drugs or medical equipment (collectively referred to as medical product companies) and any representatives or intermediaries acting on their behalf (collectively referred to as medical product representatives). Some of the key provisions of this law are prohibitions on:

- one-on-one meetings and communications between healthcare professionals and medical product representatives, except for participation in clinical trials, pharmacovigilance, group educational events and certain other limited exceptions approved by Russia s Healthcare Organization Administration;
- the acceptance by a healthcare professional of compensation, gifts or entertainment paid by medical product representatives;
- the agreement by a healthcare professional to prescribe or recommend a drug product or medical equipment; or
- the engagement by a healthcare decision maker in a conflict of interest transaction with a medical product representative, unless approved by regulators pursuant to certain specified procedures.

At the end of 2013, the State Duma (i.e., the lower chamber of the Russian parliament) adopted a series of amendments to various healthcare related laws. Among other things, the Law On Medicines was amended to add regulations restricting interactions between medical product representatives with medical professionals in connection

with events sponsored by medical product companies. Under these regulations, in the event that medical product companies wish to sponsor certain scientific, medical education or similar events, they are required to disclose the date, place and time of the event and the plans, programs and agendas for discussion. Disclosure is to be made by publishing appropriate information on their official websites not later than two months before the indicated events, and the same information shall also be sent to Russia s Federal Healthcare Service (Roszdravnadzor).

Although certain of the above prohibitions technically restrict only the actions of healthcare professionals, liability for non-compliance with such restrictions nonetheless extends to both the healthcare professional and the medical product representative. Except providing information on conflicts of interest, no other liability has been currently prescribed for medical product companies. The methodology to define a conflict of interest has not yet been clarified.

On July 2, 2013, the Ministry of Health of the Government of Russia published an order on its website that binds physicians to prescribe medicinal products by International Nonproprietary Name (i.e., active substance) or by combination list (which combines different International Nonproprietary Names in one treatment group).

Table of Contents

Russia signed the agreement on a common market for medicines within the Eurasian Economic Union

The Eurasian Economic Union (EEU), whose member states are Russia, Belarus, Kazakhstan, Armenia, and Kyrgyzstan, officially started functioning on January 1, 2015. Among other things,, the member states of the EEU signed an international agreement establishing common principles and rules of functioning of the market for medicines within the EEU, which agreement will be effective starting on January 1, 2016. According to the agreement, the market authorization for a particular medicine received in one EEU member state will be valid throughout the whole EEU territory. For these purposes, the member states are working on the necessary regulatory framework. By the end of calendar 2015, the EEU plans for its member states to sign 25 acts governing various stages of drugs circulation.

State Regulation of Prices for Vital and Essential Medicines

Russia s Federal Law No. 34-FZ dated March 8, 2015 amends the Federal Law 61-FZ On Circulation of Medicines . The amendments create new rules for the registration, manufacture and quality control of medicines, including new rules for the calculation and registration of the maximum retail prices of vital and essential medicines established by the ZhNVLS. Most of the changes are effective commencing July 1, 2015, with certain changes effective starting in 2016 or 2017.

Calculation of the maximum sale price for medicines included in the ZhNVLS list shall be determined by the Government of the Russian Federation taking into account a variety of economic and/or social criteria. These amendments became effective from March 16, 2015. The updated EDL lists for 2015 approved by the Decree of the Government No. 2782-p dated December 30, 2014 became effective from March 1, 2015. These lists include the list of drugs for provision to specific groups of citizens, medicines prescribed by a decision of a medical commission of medical organizations, medical supplies from the 7 Nosologies program list, as well as the minimum range of medicines required for medical aid.

Restrictions on access of foreign drugs

The Russian Government approved the Priority Action Plan for sustainable economic and social stability development in 2015 (the Priority Action Plan). The Priority Action Plan was signed by the Russian Prime Minister on January 27, 2015. The key areas that may impact the pharmaceutical industry in the Priority Action Plan are (i) supporting import substitution; (ii) optimization of budget costs and reduction of inefficient expenses; and (iii) particularly, in the public healthcare area, the following measures:

- On February 2, 2015, the Russian Ministry of Health (MoH), Russian Federal Service on Tariffs and Russian Ministry of Economic Development (MoED) amended the Federal Law 61-FZ On Circulation of Medicines to provide the possibility of one-time indexation of prices for low-cost essential drugs;

- On February 27, 2015, the Russian Ministry of Finance, MoH and MoED suggested improvements for public drugs supply; and

- On February 15, 2015, the Russian Ministry of Industry and Trade enacted restrictions on access of foreign drugs to state procurement tenders, if two or more locally manufactured drugs participate in the relevant

tender.

Political Instability

There has been severe political instability in Ukraine following civilian riots and political unrest which began in November 2013, destabilization of the Ukrainian President s office in February 2014, and subsequent military action in the destabilized country operating under a temporary government.

As a result of ongoing conflict in the region, the United States and the European Union have imposed sanctions on certain designated individuals and companies in Ukraine and Russia. These sanctions were targeted at persons threatening the peace and security of Ukraine, senior officials of the Government of the Russian Federation and the energy, defense and financial services sectors of Russia, but they have had macroeconomic consequences beyond those persons and industries. In December 2014, the United States imposed further sanctions aimed at blocking new investments in the Crimea region of Ukraine and trade between the United States or U.S. persons and Crimea. These sanctions also authorized the United States government to impose sanctions on any U.S. persons determined to be operating in the Crimea region of Ukraine, subject to certain authorizations for the export and reexport of certain agricultural commodities, medicine, medical supplies, and replacement parts to Crimea.

Table of Contents

Political instability in the region has combined with low worldwide oil prices to significantly devalue the Russian rouble and may continue to have a negative impact on the Russian economy. In addition, the Ukrainian hryvnia also experienced significant devaluation in 2014. The possibility of additional sanctions implemented by the United States and/or the European Union against Russia or vice versa, continued political instability, civil strife, deteriorating macroeconomic conditions and actual or threatened military action in the region may result in serious economic challenges in Ukraine, Russia and the surrounding areas.

Among our operations, we are engaged in sales, distribution and marketing of pharmaceutical products in Russia and Ukraine, including its Crimea region, all through non-U.S. entities that sell to distributors. Our sales in Russia and Ukraine are not to any of the individuals, companies or sectors designated by the current sanctions, and our sales in the Crimea region of Ukraine accounted for approximately 0.02% of our total revenues for the year ended March 31, 2015. We do not believe that our business in Russia, Ukraine or its Crimea region violates any of the current sanctions. However, relevant regulators could take a view that is different from ours on the issue. We continue to monitor our subsidiaries activities in light of the restrictions imposed by these and any future sanctions.

North America (the United States and Canada)

During the year ended March 31, 2015, North America (the United States and Canada) accounted for 54% of our total Global Generics segment sales. In the United States, we sell generic drugs that are the chemical and therapeutic equivalents of reference branded drugs, typically sold under their generic chemical names at prices below those of their brand drug equivalents. Generic drugs are finished pharmaceutical products ready for consumption by the patient. These drugs are required to meet the U.S. FDA standards that are similar to those applicable to their brand-name equivalents and must receive regulatory approval prior to their sale.

Generic drugs may be manufactured and marketed only if relevant patents on their brand name equivalents and any additional government-mandated market exclusivity periods have expired, been challenged and invalidated, or otherwise validly circumvented.

Generic pharmaceutical sales have increased significantly in recent years, partly due to an increased awareness and acceptance among consumers, physicians and pharmacists that generic drugs are the equivalent of brand name drugs. Among the factors contributing to this increased awareness are the passage of legislation permitting or encouraging substitution and the publication by regulatory authorities of lists of equivalent drugs, which provide physicians and pharmacists with generic drug alternatives. In addition, various government agencies and many private managed care or insurance programs encourage the substitution of generic drugs for brand-name pharmaceuticals as a cost-savings measure in the purchase of, or reimbursement for, prescription drugs. We believe that these factors should lead to continued expansion of the generic pharmaceuticals market as a whole. We intend to capitalize on the opportunities resulting from this expansion of the market by leveraging our product development capabilities, manufacturing capacities inspected by various international regulatory agencies and access to our own APIs, which offer significant supply chain efficiencies.

In April 2008, we acquired BASF s pharmaceutical contract manufacturing business and related facility in Shreveport, Louisiana, U.S.A. The acquisition included the relevant business, customer contracts, certain supplier contracts, related Abbreviated New Drug Applications (ANDAs) and New Drug Applications (NDAs), trademarks, as well as the manufacturing facility and assets owned by BASF in Shreveport, Louisiana. The facility is designed to manufacture solid, semi-solid and liquid dosage forms.

In March 2011, we acquired from GlaxoSmithKline plc and Glaxo Group Limited (collectively, GSK) a penicillin-based antibiotics manufacturing site in Bristol, Tennessee, U.S.A., the product rights for GSK s *Augmentin*®

and *Amoxil*® brands of oral penicillin-based antibiotics in the United States (GSK retained the existing rights for these brands outside the United States), certain raw materials and finished goods inventory associated with Augmentin®, and rights to receive certain transitional services from GSK. The acquisition enabled us to enter the U.S. oral antibiotics market with a comprehensive product filing and a dedicated manufacturing site. Due to high competition in our antibiotics portfolio, with minimal or no margin for certain dosage strengths, we have initiated a restructuring of our antibiotics manufacturing operations during the year ended March 31, 2015, including a workforce reduction and the discontinuation of certain dosage strengths of A*moxil*® and *Augmentin*®.

In December 2014, we acquired from Novartis Consumer Healthcare Inc. the title and rights to its *Habitrol*® brand (an over-the-counter nicotine replacement therapy transdermal patch) and related U.S. marketing rights. The acquisition enabled us to get a strong foothold in an approximately one billion dollar anti-smoking market in the United States with a robust platform in nicotine replacement therapy patches. With the increasingly favorable regulatory environment, including factors such as the PPACA and new U.S. FDA guidelines, and increased focus by retailers on treatments for smoking cessation, the nicotine replacement therapy category is poised for expansion and offers significant growth opportunities for us.

Table of Contents

Through the coordinated efforts of our teams in the United States and India, we constantly seek to expand our pipeline of generic products. During the year ended March 31, 2015, we filed 13 ANDAs in the United States, including 8 Paragraph IV filings. During the year ended March 31, 2015, the U.S. FDA granted us 6 final ANDA approvals. As of March 31, 2015, we had filed a cumulative total of 220 ANDAs in the United States, out of which 68 ANDAs were pending approval at the U.S. FDA, including 8 tentative approvals. As of March 31, 2015, we had also filed two NDAs under section 505(b)(2) of the Federal Food, Drug and Cosmetic Act in the United States, one of which is tentatively approved and awaits final approval. We have also filed two new Investigational New Drugs (INDs), our proposed biosimilars to rituximab and PEG-GCSF, and we have received permissions from the U.S. FDA to conduct Phase I trials for both of these IND filings. The trials are under progress for both IND approvals.

During the year ended March 31, 2015, we in-licensed three ANDAs in the United States, of which two are Paragraph IV filings. As of March 31, 2015, we have in-licensed a cumulative total of five ANDAs in the United States, out of which four were pending approval with the U.S. FDA.

Our Canada business generated revenues of Rs.523 million during the year ended March 31, 2015. This business includes revenues from certain profit sharing arrangements with distributors who market certain of our generic products.

Sales, Marketing and Distribution Network

Dr. Reddy s Laboratories, Inc., our wholly-owned subsidiary in Princeton, New Jersey, United States, is primarily engaged in the marketing of our generic products in the United States. In early 2003, we commenced sales of generic products under our own label. We have our own sales and marketing team to market these generic products. Our key account representatives for generic products call on purchasing agents for chain drug stores, drug wholesalers, health maintenance organizations, hospital group purchasing organizations (GPOs), specialty distributors and pharmacy buying groups.

Our over-the-counter (OTC) division markets and distributes store brand OTC products. This division has successfully launched 10 products. OTC products include store brand generic equivalents of products that originally have prescription drug status and are switched to OTC drug status by the innovator upon U.S. FDA approval (sometimes called Rx-to-OTC switch products). For the year ended March 31, 2015, our OTC division generated Rs.8,264 million in revenues.

A significant portion of our revenue is derived from the sale of injectable products in the therapeutic areas of oncology, neurology and anti-allergy. During the years ended March 31, 2015 and 2014, we launched docetaxel, azacitidine, decitabine and zoledronic acid in the United States. We have also expanded our presence to drug wholesalers, GPOs, specialty distributors, integrated distribution networks (IDNs), clinics and hospitals to market these products.

In the year ended March 31, 2014, we started supplying products for private label customers for prescription products.

Competition

Revenues and gross profit derived from the sales of generic pharmaceutical products are affected by certain regulatory and competitive factors. As patents and regulatory exclusivity for brand name products expire, the first manufacturer to receive regulatory approval for generic equivalents of such products is generally able to achieve significant market penetration. As competing manufacturers receive regulatory approvals on similar products, market share, revenues and gross profit typically decline, in some cases significantly. Accordingly, the level of market share, revenues and gross

profit attributable to a particular generic product is normally depended upon the number of competitors and the timing of that product s regulatory approval and launch, in relation to competing approvals and launches. Consequently, we must continue to develop and introduce new products in a timely and cost-effective manner to maintain our revenues and gross margins. In addition, the other competitive factors critical to this business include price, product quality, consistent and reliable product supplies, customer service and reputation. Our major competitors in the United States include Teva Pharmaceutical Industries Limited, Mylan Inc., Actavis Inc., Sandoz, a division of Novartis Pharma A.G., Par Pharmaceuticals, Sun Pharmaceuticals Limited and Lupin Limited.

Recent consolidation of customer purchasing power via alliances and joint ventures (such as the Walgreens Boots Alliance Development, the Red Oak Sourcing joint venture between CVS and Cardinal Health, and the McKesson expanded distribution agreements with Rite Aid and Omnicare) has served to intensify the competition and drive down prices. Consolidation of manufacturers is also continuing and, at the same time, new manufacturers continue to enter the generic market in the United States, which may further lower our pricing power and adversely affect our revenues in that market.

Table of Contents

Brand name manufacturers have devised numerous strategies to delay competition from lower cost generic versions of their products. One of these strategies is to change the dosage form or dosing regimen of the brand product prior to generic introduction, which may reduce the demand for the original dosage form as sought by a generic ANDA dossier applicant or create regulatory delays, sometimes significant, while the generic applicant, to the extent possible, amends its ANDA dossier to match the changes in the brand product. In many of these instances, the changes to the brand product may be protected by patent or data exclusivities, further delaying generic introduction. Another strategy is the launch by the innovator or its licensee of an authorized generic during the 180-day generic exclusivity period, resulting in two generic products competing in the market rather than just the product that obtained the generic exclusivity. This may result in reduced revenues for the generic company which has been awarded the generic exclusivity period.

The U.S. market for OTC pharmaceutical products is highly competitive. Competition is based on a variety of factors, including price, quality, product mix, customer service, marketing support, and the reliability and flexibility of the supply chain for products. Our competition in store brand products in the United States consists of several publicly traded and privately owned companies, including large brand-name pharmaceutical companies. The competition is highly fragmented in terms of both geographic market coverage and product categories, such that a competitor generally does not compete across all product lines. In the store brand market, we compete directly with companies such as Perrigo that sell store brand OTC products. With the acquisition of Habitrol®, we now not only compete with store brands but also with large branded companies such as GlaxoSmithKline Consumer Care, which is an industry leader in the nicotine replacement therapy category. In addition, since our products are generic equivalents of innovator brands, we also compete against large brand-name pharmaceutical companies. The competitive landscape and market dynamics of the OTC market are rapidly evolving. Large brand-name pharmaceutical companies have begun to more aggressively pursue Rx-to-OTC switches in new categories, which could present opportunities for us and other companies that sell store brand products. On the other hand, pricing pressures continue to increase with the entry of new competitors in the market. On key select molecules, the expectation is that competition in this area will continue to grow as newer categories experience Rx-to-OTC switches.

Government regulations

U.S. REGULATORY ENVIRONMENT

All pharmaceutical manufacturers that sell products in the United States are subject to extensive regulation by the U.S. federal government, principally pursuant to the Federal Food, Drug and Cosmetic Act, the Hatch-Waxman Act, the Generic Drug Enforcement Act and other federal government statutes and regulations. These regulations govern or influence the testing, manufacturing, packaging, labeling, storing, record keeping, safety, approval, advertising, promotion, sale and distribution of products.

Our facilities and products are periodically inspected by the U.S. FDA, which has extensive enforcement powers over the activities of pharmaceutical manufacturers. Non-compliance with applicable requirements can result in fines, criminal penalties, civil injunction against shipment of products, recall and seizure of products, total or partial suspension of production, sale or import of products, refusal of the U.S. government to enter into supply contracts or to approve new drug applications and criminal prosecution. The U.S. FDA also has the authority to deny or revoke approvals of drug active pharmaceutical ingredients and dosage forms and the power to halt the operations of non-complying manufacturers. Any failure to comply with applicable U.S. FDA policies and regulations could have a material adverse effect on the operations in our generics business.

U.S. FDA approval of an ANDA is required before a generic equivalent of an existing or referenced brand drug can be marketed. The ANDA approval process is abbreviated because the U.S. FDA waives the requirement of conducting

complete clinical studies, although it generally requires bio-availability and/or bio-equivalence studies. An ANDA may be submitted for a drug on the basis that it is the equivalent of a previously approved drug or, in the case of a new dosage form, is suitable for use for the indications specified.

An ANDA applicant in the United States is required to review the patents of the innovator listed in the U.S. FDA publication entitled Approved Drug Products with Therapeutic Equivalence Evaluations, commonly known as the Orange Book, and make an appropriate certification. There are several different types of certifications that can be made. A Paragraph IV filing is made when the ANDA applicant believes its product or its manufacture, use or sales thereof does not infringe on the innovator s patents listed in the Orange Book or where the applicant believes that such patents are not valid or enforceable. The first generic company to file a Paragraph IV filing may be eligible to receive a six-month marketing exclusivity period starting from either the first commercial marketing of the drug by any of the first applicants or a decision of a court holding the patent that is the subject of the paragraph IV certification to be invalid or not infringed. A Paragraph III filing is made when the ANDA applicant does not intend to market its generic product until the patent expiration. A

Table of Contents

Paragraph II filing is made where the patent has already expired. A Paragraph I filing is made when there are no patents listed in the Orange Book. Another type of certification is made where a patent claims a method of use, and the ANDA applicant s proposed label does not claim that method of use. When an innovator has listed more than one patent in the Orange Book, the ANDA applicant must file separate certifications as to each patent.

Before approving a product, the FDA also requires that our procedures and operations conform to current Good Manufacturing Practice (cGMP) regulations, relating to good manufacturing practices as defined in the U.S. Code of Federal Regulations. We must follow cGMP regulations at all times during the manufacture of our products. We continue to spend significant time, money and effort in the areas of production and quality to help ensure full compliance with cGMP regulations.

The timing of final U.S. FDA approval of an ANDA depends on a variety of factors, including whether the applicant challenges any listed patents for the drug and whether the brand-name manufacturer is entitled to one or more statutory exclusivity periods, during which the U.S. FDA may be prohibited from accepting applications for, or approving, generic products. In certain circumstances, a regulatory exclusivity period can extend beyond the life of a patent, and thus block ANDAs from being approved on the patent expiration date. For example, in certain circumstances the U.S. FDA may extend the exclusivity of a product by six months past the date of patent expiration if the manufacturer undertakes studies on the effect of their product in children, a so-called pediatric extension.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Medicare Act of 2003) modified certain provisions of the Hatch-Waxman Act. In particular, significant changes were made to provisions governing 180-day exclusivity and forfeiture thereof. The new statutory provisions governing 180-day exclusivity may or may not apply to an ANDA, depending on whether the first Paragraph IV certification submitted by any applicant for the drug was submitted prior to the enactment of the Medicare Amendments on December 8, 2003.

Where the first Paragraph IV certification was submitted on or after December 8, 2003, the new statutory provisions apply. Under these provisions, 180-day exclusivity is awarded to each ANDA applicant submitting a Paragraph IV certification for the same drug with regard to any patent on the first day that any ANDA applicant submits a Paragraph IV certification for the same drug. The180-day exclusivity period begins on the date of first commercial marketing of the drug by any of the first applicants or a decision of a court holding the patent that is the subject of the paragraph IV certification to be invalid or not infringed. However, a first applicant may forfeit its exclusivity in a variety of ways, including, but not limited to (a) failure to obtain tentative approval within 30 months after the application is filed or (b) failure to market its drug by the later of two dates calculated as follows: (x) 75 days after approval or 30 months after submission of the ANDA, whichever comes first, or (y) 75 days after each patent for which the first applicant is qualified for 180-day exclusivity is either (1) the subject of a final court decision holding that the patent is invalid, not infringed, or unenforceable or (2) withdrawn from listing with the U.S. FDA (court decisions qualify if either the first applicant or any applicant with a tentative approval is a party; a final court decision is a decision by a court of appeals or a decision by a district court that is not appealed). The foregoing is an abbreviated summary of certain provisions of the Medicare Act of 2003, and accordingly such act should be consulted for a complete understanding of both the provisions described above and other important provisions related to 180-day exclusivity and forfeiture thereof.

Where the first Paragraph IV certification was submitted prior to enactment of the Medicare Act of 2003, the statutory provisions governing 180-day exclusivity prior to the Medicare Act of 2003 still apply. The U.S. FDA interprets these statutory provisions to award 180-day exclusivity to each ANDA applicant submitting a Paragraph IV certification for the same drug on the same day with regard to the same patent on the first day that any ANDA applicant submits a Paragraph IV certification for the same drug with regard to the same patent. The 180-day exclusivity period begins on the date of first commercial marketing of the drug by any of the first applicants or on the date of a final court decision holding that the patent is invalid, not infringed, or unenforceable, whichever comes first. A final court decision is a

decision by a court of appeals or a decision by a district court that is not appealed.

Food and Drug Administration Safety and Innovation Act (FDASIA) and Generic Drug User Fee Agreement (GDUFA)

In 2012, the United States enacted the Food and Drug Administration Safety and Innovation Act (FDASIA), a landmark legislation intended to enhance the safety and security of the U.S. drug supply chain by imposing stricter oversight and by holding all drug manufacturers supplying products to the United States to the same U.S. FDA inspection standards.

Table of Contents

Specifically, prior to the passage of FDASIA, U.S. law required U.S. based manufacturers to be inspected by the U.S. FDA every two years but remained silent with respect to foreign manufacturers, causing some foreign manufacturers to go as many as nine years without a routine U.S. FDA current Good Manufacturing Practice (cGMP) inspection, according to the Government Accountability Office. FDASIA requires foreign manufacturers to have cGMP inspections at least every two years, or more frequently for manufacturers with high risk profiles.

FDASIA also includes the Generic Drug User Fee Agreement (GDUFA), a program to provide the U.S. FDA with additional funds through newly imposed user fees on generic and biosimilar products. These new fees are estimated to total approximately $1.5 billion through 2018, and are intended to fund increases in the U.S. FDA s operations and staffing with a focus on three key aims:

Safety To ensure that industry participants, foreign or domestic, are held to consistent quality standards and are inspected with foreign and domestic parity using a risk-based approach.

Access To expedite the availability of generic drugs by bringing greater predictability to the review times for ANDAs, amendments and supplements and improving timeliness in the review process. For example, FDASIA is expected to decrease the review time for ANDAs by approximately two-thirds.

Transparency To enhance the U.S. FDA s visibility into the complex global supply environment by requiring the identification of facilities involved in the manufacture of drugs and associated active pharmaceutical ingredients, and improve the U.S. FDA s communications and feedback with industry.

The establishment of dedicated biosimilar fees should also help ensure that the U.S. FDA has appropriate resources for managing the introduction of biosimilar products on the U.S. market. Under GDUFA, 70% of the total fees will be derived from facility fees paid by finished dosage form manufacturers and active pharmaceutical ingredient facilities listed or referenced in a pending or approved generic drug application. The remaining 30% of the total fees will be derived from application fees, including generic drug application fees, prior approval supplement fees and drug master file fees.

U.S. FDA Proposed New Labeling Rule

On November 13, 2013, the U.S. FDA proposed a new labeling rule which the agency believes will speed up the dissemination of new safety information about generic drugs to health professionals and patients by allowing generic drug manufacturers to use the same process as brand drug manufacturers to update safety information in the product labeling. Under the proposal, generic drug manufacturers would be able to independently update product labeling (also called prescribing information or package inserts) with newly-acquired safety information before the U.S. FDA s review of the change, in the same way brand drug manufacturers do today. Generic manufacturers would also be required to inform the brand name manufacturer about the change. The U.S. FDA would then evaluate whether the proposed change is justified and make an approval decision on the generic drug labeling change and the corresponding brand drug labeling change at the same time, so that brand and generic drug products would ultimately have the same U.S. FDA-approved prescribing information.

Currently, generic manufacturers must wait to update product safety information until the corresponding brand name product has received approval to update its safety information. Brand drug manufacturers are allowed to independently update and promptly distribute updated safety information by submitting a changes being effected

(CBE) supplement to the U.S. FDA. Generic manufacturers must notify the U.S. FDA of new safety information, and wait for the U.S. FDA and the brand manufacturer to determine the updated labeling, which may result in a delay in getting new information to health care professionals and patients.

Under current law, generic and brand drug manufacturers are required to promptly review safety information about their drugs and comply with the U.S. FDA s reporting and recordkeeping requirements. When new information becomes available that causes the product labeling to be inaccurate, all drug manufacturers must take steps to update the labeling.

To enhance transparency while the U.S. FDA is reviewing the change and to make safety-related changes to drug labeling quickly available to health care professionals and the public, the U.S. FDA plans to create a web page where safety-related changes proposed by all drug manufacturers would be posted. Members of the public could subscribe to receive updates.

Table of Contents

Because the current regulatory scheme only permits a generic manufacturer to use the CBE process to update its label if the branded drug manufacturer changes its label first, this can prevent generic manufacturers from complying with state law warning requirements. As a result, state product liability suits based on failure-to-warn and design defect claims against generics manufacturers have generally been held pre-empted by Federal law, and in June 2013 the United States Supreme Court upheld such pre-emption and immunity of generic manufacturers in *Mutual Pharmaceutical Co. v. Bartlett*.

If the U.S. FDA s proposed new rule is adopted, it may eliminate this pre-emption and increase our potential exposure to lawsuits relating to product safety, side effects and warnings on labels. This new potential exposure to lawsuits may also increase the risk that, in the future, we may not be able to obtain the type and amount of insurance coverage we desire at an acceptable price and self-insurance may become the sole commercially reasonable means available for managing the product liability risks of our business.

Comments on the proposed labeling rule were initially due on March 13, 2014. However, the U.S. FDA subsequently reopened the comment period from February 18, 2015 until April 27, 2015 in light of both the significant amount of interest in the proposal and the emergence of alternate proposals put forth and endorsed by the generic pharmaceutical industry. As of the date of this report, the U.S. FDA s proposed rule has not been finalized or replaced with an alternate proposal.

Prescription Drug Marketing Act and Laws Regulating Payments to Healthcare Professionals

The FDA also enforces the requirements of the Prescription Drug Marketing Act, which, among other things, imposes various requirements in connection with the distribution of product samples to physicians. Sales, marketing and scientific/educational grant programs must comply with the federal anti-kickback statute, the Medicare-Medicaid Anti-Fraud and Abuse Act, as amended, the False Claims Act, as amended, and similar state laws. Pricing and rebate programs must comply with the Medicaid rebate requirements of the Omnibus Budget Reconciliation Act of 1990, as amended. We are also subject to Section 6002 of the Patient Protection and Affordable Care Act, commonly known as the Physician Payment Sunshine Act which regulates disclosure of payments to certain healthcare professionals and providers.

Patient Protection and Affordable Care Act

In March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act (collectively, the PPACA), were signed into law. The PPACA is one of the most significant healthcare reform measures in the United States in decades, and is expected to significantly impact the U.S. pharmaceutical industry. The PPACA imposes additional rebates, discounts and fees, mandates certain reporting and contains various other requirements that could adversely affect our business, including the following:

- The PPACA imposes annual, non-deductible fees for entities that manufacture or import certain prescription drugs and biologics. This fee is calculated based upon each manufacturer s percentage share of total branded prescription drug and biologics sales to U.S. government programs (such as Medicare, Medicaid, Veterans Affairs and Public Health Service discount programs), and authorized generic products are generally treated as branded products. The manufacturer must have at least $5 million in sales of branded prescription drugs or biologics in order to be subject to this fee.

The PPACA changed the computations used to determine Medicaid rebates owed by manufacturers under the Medicaid Drug Rebate Program by redefining the average manufacturer s price (AMP), effective October 1, 2010, and by using 23.1% instead of 15.1% of AMP for most branded drugs and 13% instead of 11% of AMP for generic drugs, effective January 1, 2010.

The PPACA also increased the number of healthcare organizations eligible to participate in the Public Health Service pharmaceutical pricing program, which provides for government controlled prices that result in substantial discounts for participants.

The PPACA has pro-generic provisions that could increase competition in the generic pharmaceutical industry and therefore adversely impact our selling prices or costs and reduce our profit margins. Among other things, the PPACA creates an abbreviated pathway to U.S. FDA approval of biosimilar biological products and allows the first interchangeable bio-similar biological product 18 months of exclusivity, which could increase competition for our bio-similars business. Conversely, the PPACA has some anti-generic provisions that could adversely affect our bio-similars business, including provisions granting the innovator of a biological drug product 12 years of exclusive use before generic drugs can be approved based on being biosimilar.

Table of Contents

The PPACA makes several important changes to the federal anti-kickback statute, false claims laws, and health care fraud statutes that may make it easier for the government or whistleblowers to pursue such fraud and abuse violations. In addition, the PPACA increases penalties for fraud and abuse violations. If our past, present or future operations are found to be in violation of any of the laws described above or other similar governmental regulations to which we are subject, we may be subject to the applicable penalty associated with the violation which could adversely affect our ability to operate our business and our financial results.

To further facilitate the government s efforts to coordinate and develop comparative clinical effectiveness research, the PPACA establishes a new Patient-Centered Outcomes Research Institute to oversee and identify priorities in such research. The manner in which the comparative research results would be used by third-party payors is uncertain.

On June 28, 2010, the Departments of Health and Human Services, Labor, and the Treasury jointly issued interim final regulations to implement the provisions of the PPACA that prohibit the use of preexisting condition exclusions, eliminate lifetime and annual dollar limits on benefits, restrict contract rescissions, and provide patient protections. On June 20, 2014 the Departments of Health and Human Services, Labor, and the Treasury jointly issued final regulations clarifying the relationship between a group health plan s eligibility criteria and the PPACA s 90-day limit on waiting periods.

On January 27, 2012, The Centers for Medicare and Medicaid Services (CMS) issued its long awaited proposed rule implementing the Medicaid pricing and reimbursement provisions of the PPACA and related legislation. CMS accepted comments on this proposed rule through April 2, 2012, and issuance of the final rule by CMS is pending.

On June 28, 2012, the U.S. Supreme Court ruled on certain challenged provisions of the PPACA. The U.S. Supreme Court generally upheld the constitutionality of the PPACA, including its individual mandate that requires most Americans to buy health insurance starting in 2014, and ruled that the Anti-Injunction Act did not bar the Court from reviewing that the PPACA provision. However, the U.S. Supreme Court invalidated the PPACA s provisions requiring each state to expand its Medicaid program or lose all federal Medicaid funds. The Court did not invalidate the PPACA s expansion of Medicaid for states that voluntarily participate; it only held that a state s entire Medicaid funding cannot be withheld due to its failure to participate in the expansion.

Pending full implementation of the PPACA, we are continuing to evaluate all potential scenarios surrounding its implementation and the corresponding impact on our financial condition, results of operations and cash flow.

Drug Quality and Security Act

On November 28, 2013, the Drug Quality and Security Act was signed into law in the United States. The legislation introduces a federal track-and-trace system for medicines with serial numbers added to individual packs and (non-mixed) cases within four years of the legislation s adoption, and electronic tracing of production through the supply chain mandated within 10 years. It also strengthens licensure requirements for wholesale distributors and third-party logistics providers, and requires the U.S. FDA to maintain a database of wholesalers that will be available to the public through its website. The law also boosts oversight of compounding pharmacies that make drugs to order, and increases the powers of the U.S. FDA to oversee large-volume or outsourcing compounders without individual prescriptions.

Biologics Pathway

The Biologics Price Competition and Innovation Act of 2009 created a statutory pathway and abbreviated approval processes for the approval of biosimilar versions of brand-name biological products and a process to resolve patent disputes. On April 28, 2015, the U.S. FDA finalized three substantial draft guidance documents originally published in February 2012 that are intended to provide a roadmap for development of biosimilar products. On May 13, 2015, the U.S. FDA released another biosimilar guidance document. These guidance documents address quality considerations, scientific considerations and questions and answers regarding commonly posed issues.

Table of Contents

Other matters

Letter from the United States Congress seeking certain information on increase in generic drug prices

On October 2, 2014, two members of the United States Congress wrote to us requesting information and expressing concern over the escalating prices of two products, divalproex sodium ER and pravastatin sodium, marketed by us in the United States. We subsequently responded to this letter and clarified, among other things, that: (a) we launched divalproex sodium ER on August 19, 2013 and have not implemented a price increase on this product since then; and (b) we sold pravastatin sodium in the United States only during the time period of January 1, 2012 to August 20, 2012, during which time period we did not increase the price of this product.

Civil Investigative Demand from the Office of the Attorney General, State of Texas

On or about November 10, 2014, we received a Civil Investigative Demand (CID) from the Office of the Attorney General, State of Texas (the Texas AG) requesting certain information for the period of time between January 1, 1995 and the date of the CID. The CID includes a broad range of requests for information, documents and data regarding sales and price reporting in the U.S. marketplace of certain products. We subsequently communicated with the Texas AG, at which time they requested a sample of certain transactional data pertaining to one calendar quarter requested in the CID, and we provided such sample transactional data to the Texas AG on or about February 20, 2015.

Subpeona duces tecum from the Office of the Attorney General, California

On November 3, 2014, we received a subpoena duces tecum to appear before the Office of the Attorney General, California (the California AG) and produce records and documents relating to the pricing of 15 products. A set of five interrogatories related to pricing practices was served as well. We have communicated with the California AG, and we are working with them in tandem with the Texas AG in order to avoid duplication of efforts in providing the voluminous data requested.

CANADA REGULATORY ENVIRONMENT

In Canada, we are required to file product dossiers with the Health Canada for permission to market a generic formulation. The regulatory authorities may inspect our manufacturing facility before approval of the dossier. As of March 31, 2015, we have filed a total of 33 Abbreviated New Drug Submission (ANDS) in Canada, out of which 7 ANDS were pending approval, including 2 tentative approvals.

Europe

Our sales of generic medicines in Europe for the year ended March 31, 2015 were Rs.7,193 million, which accounted for approximately 6% of our Global Generics segment s sales.

In the European Union (the EU), the manufacture and sale of pharmaceutical products is regulated in a manner substantially similar to that in the United States. Legal requirements generally prohibit the handling, manufacture, marketing and importation of any pharmaceutical product unless it is properly registered and manufactured in accordance with applicable law. The registration file relating to any particular product must contain scientific data related to product efficacy and safety, including results of clinical testing and references to medical publications, as well as detailed information regarding production methods and quality control. Regulatory authorities are authorized to suspend, restrict or cancel the registration of a product if it is found to be harmful or ineffective, or manufactured and marketed other than in accordance with registration conditions.

Sales, Marketing and Distribution Network

Germany

In Germany, we sell a broad range of generic pharmaceutical products under the betapharm brand.

Over the last few years, the German pharmaceutical market has significantly changed. The healthcare reform known as the Statutory Health Insurance (SHI) Competition Strengthening Act or Wettbewerbsstärkungsgesetz (GKV-WSG) (an act to strengthen the competition in public health insurance), which was effective as of April 1, 2007, has significantly increased the power of insurance companies and statutory health insurance funds (SHI funds) to influence dispensing of medicines.

Table of Contents

Pursuant to the GKV-WSG law, those pharmaceutical products covered by rebate contracts with insurance companies and SHI funds have to be prescribed by physicians and dispensed by pharmacies with priority. This has increased the power of insurance companies and SHI funds. As a result, many SHI funds have enacted tender (i.e., competitive bidding) processes to determine which pharmaceutical companies they will enter into rebate contracts with. This has resulted in more than 90% of generic products currently sold in German retail outlets being supplied through contracts procured in competitive bidding tenders, thereby causing significant pressure on product margins. In response to these market changes, betapharm underwent a comprehensive restructuring of its sales force, with a reduction of more than 200 employees since we acquired it in March 2006. In addition, we are participating in the tender opportunities by bidding at prices which meet our internal incremental profitability thresholds. In view of this, our success ratio in winning these tender awards has declined and, accordingly, the ratio of our tender based sales to our overall sales has significantly reduced over the past few years.

United Kingdom and other Countries within Europe

We market our generic products in the United Kingdom and other EU countries through our U.K. subsidiary, Dr. Reddy s Laboratories (U.K.) Limited. This subsidiary was formed in the year ended March 31, 2003 after our acquisition of Meridian Healthcare Limited, a United Kingdom based generic pharmaceutical company. We currently market 37 generic products in such countries, representing 89 dosage strengths.

Competition

Our key competitors within the German generics market include the Sandoz group of Novartis Pharma A.G. (including its Hexal, Sandoz and 1A Pharma subsidiaries), the Ratiopharm group of Teva Pharmaceutical Industries Ltd. (including its Ratiopharm, AbZ-Pharma and CT Arzneimittel subsidiaries), Winthrop Arzneimittel GmbH and the Stada group of Stada Arzneimittel AG (including its Stada and Aliud subsidiaries). In the rebate contracts with SHI funds, prices are one of the most important competitive factors.

The United Kingdom is one of the largest markets for generic pharmaceuticals in Europe. It is also one of the most competitive markets, due to its low barriers to entry. Significant vertical integration exists between wholesalers and retailers, ensuring low prices as long as there are several suppliers.

Government regulations

European Union Regulatory Environment

The activities of pharmaceutical companies within the European Union are governed in particular by Directives 2001/83/EC and 2003/94/EC, as amended, and as implemented in national laws within the countries of the European Union. These Directives outline the legislative framework, including the legal basis of marketing authorization procedures, and quality standards including manufacture, patient information and pharmacovigilance activities.

Prior approval of a marketing authorization is required to supply products within the European Union. Such marketing authorizations may be restricted to one member state, cover a selection of member states or can be for the whole of the European Union, depending upon the form of registration procedure selected.

Generic or abridged applications omit full non-clinical and clinical data but contain limited non-clinical and clinical data, depending upon the legal basis of the application or to address a specific issue. In the case of a generic medicine application, the applicant is required to demonstrate that its generic product contains the same active pharmaceutical ingredients in the same dosage form for the same indication as the innovator product. Specific data is included in the

application to demonstrate that the proposed generic product is interchangeable to the innovator product with respect to quality, safe usage and continued efficacy. European Union laws prevent regulatory authorities from accepting applications for approval of generics that rely on the safety and efficacy data of an innovator of a branded product until the expiration of the innovator s data exclusivity period (usually 8 years from the first marketing authorization in the European Union, depending on the circumstances). The applicant is also required to demonstrate bioequivalence with the EU reference product. Once all these criteria are met, a marketing authorization may be considered for grant.

Unlike in the United States, there is no equivalent regulatory mechanism within the European Union to incentivize challenge to any patent protection, nor is any period of market exclusivity conferred upon the first generic approval. In situations where the period of data exclusivity given to the innovator of a branded product expires before their patent expires, the launch of our product would then be delayed until patent expiration.

Table of Contents

Our U.K. facilities are licensed and periodically inspected by the U.K. Medicines and Healthcare products Regulatory Agencies (MHRA) good manufacturing practice Inspectorate, which has extensive enforcement powers over the activities of pharmaceutical manufacturers. Non-compliance can result in product recall, plant closure or other penalties and restrictions. In addition, the U.K. MHRA Inspectorate has approved and periodically inspected our manufacturing facilities based in Hyderabad, Telangana, India for the manufacture of generic medicines for supply to Europe. The German Federal Institute for Drugs and Medical Devices (Bundesinstitut für Arzneimittel und Medizinprodukte or BfArM) has also inspected our plants in Hyderabad as well as Vishakapatnam.

All pharmaceutical companies that manufacture and market human medicinal products in Germany are subject to the applicable rules and regulations executed by the BfArM and the supervisory authorities of the respective federal state in Germany. All pharmaceutical companies in Germany are periodically inspected by the competent supervisory authority, which has extensive enforcement powers over the activities of pharmaceutical companies. Non-compliance can result in closure of the facility.

In Germany, the government has in recent years enacted a number of laws designed to limit pharmaceutical cost increases, including the GKV-WSG discussed above and the Economic Optimization of Pharmaceutical Care Act (also known as the AVWG). During the fiscal year ended March 31, 2011, the German government introduced a new law entitled Act on the reorganization of the pharmaceutical market in the public health insurance (or *Arzneimittelmarktneuordnungsgesetz* , commonly referred to as AMNOG), which affects reimbursement of drugs within Germany s statutory health care system in order to further control the costs of medical care. The key elements of this law are as follows:

Historically, the pharmaceutical companies had been free to set the initial asking price for novel drugs in the German public health system, subject to certain mandatory rebates. Under this new law, a pharmaceutical company determines the price for a new drug or new therapeutic indication for the first year after launch, but must submit to the Joint Federal Committee (the Gemeinsamer Bundesausschuss or G-BA) a benefit/risk assessment dossier on the drug at or prior to its launch. The G-BA analyzes whether the drug shows an additional clinical benefit in comparison to a corresponding established drug (the appropriate comparator therapy).

If an additional benefit is established, the pharmaceutical company must negotiate the price of the drug with the Federal Association of the health insurance funds. If no agreement is reached in the negotiation, then the price is determined pursuant to an arbitration procedure. There must be a minimum term of one year.

If no additional benefit is established, the drug is immediately included in a group of drugs with comparable pharmaceutical and therapeutic characteristics, for which maximum reimbursement prices have already been set. If this is not possible due to the drug s novelty, then the pharmaceutical company must negotiate a reimbursement price with the Federal Association of the health insurance funds that may not exceed the costs of the appropriate comparator therapy.

The prices determined pursuant to the above procedures also apply to private insurance agencies, privately insured persons and self-payers, although they may negotiate further discounts.

For drugs developed specifically to treat rare medical conditions that are designated as orphan drugs , the orphan drug will be presumed to have an additional benefit under certain circumstances.

A new regulation for packaging size had to be implemented in 2013. Standard sizes are now based upon the duration of therapies, instead of being based on fixed quantity. Three different types of package sizes are now allowed: N1-packages for treatment periods of 10 days; N2-packages for treatment periods of 30 days; and N3-packages for treatment periods of 100 days.

The law increases the choice to patients by the use of co-payment as an option for patients opting for a non-rebated generic drug.

In Germany, the German Drug Law (Arzneimittelgesetz) (AMG), which implements European Union requirements, is the primary regulation applicable to medicinal products. In 2012, the 16th Amendment to the AMG and related laws were enacted in order to implement European Directives into national laws. Among other things, the most important changes refer to pharmacovigilance, clinical trials, protection measures against counterfeited medicines and liberalization of German drug advertising law. These transpositions of European Union legislation into national law also took place in the United Kingdom.

Table of Contents

The German Social Code s price freeze imposed on reimbursable drugs, which was due to expire at the end of 2013, was amended in 2013 and 2014 to extend the price freeze until December 31, 2017, although the continued price freeze will not apply to medicines subject to internal reference pricing. New European pharmacovigilance legislation (Regulation (EU) No 1235/2010 and Directive 2010/84/EU) was implemented in July 2012. These new requirements are intended to improve patient safety, but will also increase our administrative burdens and therefore our costs. In addition, there are proposals from the European Commission to introduce fees that industry pays for the simplification and maintenance of the European pharmacovigilance system as well as fees for the assessment of pharmacovigilance reports, study protocols and referrals. The principle of the proposal has been agreed, but the actual financial proposals are currently in the final stages of discussion and will likely be implemented during the year ending March 31, 2016. This may lead to further increased costs in Europe whenever such proposals are implemented.

Rest of the World markets of our Global Generics segment

We refer to all markets of our Global Generics segment other than North America, Europe, Russia and other countries of the former Soviet Union and India as our Rest of the World markets. Our significant Rest of the World markets include Venezuela, South Africa and Australia. Our revenues from our Rest of the World markets were Rs.13,057 million in the year ended March 31, 2015, an increase of 77% as compared to the year ended March 31, 2014.

Venezuela

Venezuela accounted for 7% of our Global Generics segment s revenues in the year ended March 31, 2015. IMS Health ranked us 18th in sales in Venezuela, with a market share of 1.78%, as of March 31, 2015 in its moving annual total report for the 12-months ended March 31, 2015. According to such IMS Health report, our sales value and volume growth for the year ended March 31, 2015 were 149.7% and 141.2%, respectively, as compared to the Venezuela pharmaceutical market value growth and volume decrease of 52.5% and 1.65%, respectively. We were the top ranked Indian pharmaceutical company in Venezuela for such period.

Our top four brands, Zovanta, Omez, Ciprolet and Plagril, accounted for 64% of our Global Generics segment s revenues in Venezuela in the year ended March 31, 2015.

Our strategy in Venezuela is to focus on the gastro-intestinal, pain management, anti-infectives, respiratory, oncology and cardiovascular therapeutic areas. Our focus is on building leading brands in these therapeutic areas in prescription, over-the-counter and hospital sales. Nise, Omez, Ketorol, Cetrine and Ciprolet continue to be brand leaders in their respective categories, as reported by IMS Health in its moving annual total report for the 12 months ended March 31, 2015.

Our growth in Venezuela for the year ended March 31, 2015 was driven by increased marketing initiatives for prescription products.

GSK Alliance

We have a strategic partnership with GlaxoSmithKline plc (GSK) to develop and market select products across emerging markets outside India. The products are manufactured by us, and licensed and supplied to GSK in markets such as Latin America, Africa, the Middle East and Asia Pacific, excluding India.

Collaboration agreement with Merck Serono

On June 30, 2012, we entered into a partnership agreement with Merck Serono, a division of Merck KGaA, Darmstadt, Germany, to co-develop a portfolio of biosimilar compounds in oncology, primarily focused on monoclonal antibodies (MAbs). The partnership covers co-development, manufacturing and commercialization of the compounds included in the agreement. The partnership with Merck Serono expands on our presence in the bio-similar space in select emerging market countries and enables our entry in the bio-similar space into the regulated markets of the United States and Europe.

The agreement is based on full research and development cost sharing. The deal structure calls for Merck Serono and us to co-develop the molecules included in the agreement. We will lead early product development and complete Phase I development. Upon completion of Phase I, Merck Serono will take over manufacturing of the compounds and will lead Phase III development. Merck Serono will undertake commercialization globally, outside the United States, with the exception of select emerging markets that will be co-exclusive or where we maintain exclusive rights. We will receive royalty payments from Merck Serono upon commercialization by them. In the United States, the parties will co-commercialize the products on a profit-sharing basis.

Table of Contents

As part of the collaboration arrangement, we are currently conducting early product development, technology transfers and Phase I trials.

Global Generics Manufacturing and Raw Materials

Manufacturing for our Global Generics segment entails converting active pharmaceutical ingredients (API) into finished dosages. As of March 31, 2015, we had thirteen manufacturing facilities within this segment. Eleven of these facilities are located in India and two are located in the United States (Shreveport, Louisiana; and Bristol, Tennessee). In addition, we also have one packaging facility in the United Kingdom. All of the facilities are designed in accordance with and are compliant with current Good Manufacturing Practice (cGMP) requirements and are used for the manufacture of tablets, hard gelatin capsules, injections, liquids and creams for sale in India as well as other markets. All of our manufacturing sites laboratories and facilities are designed and maintained to meet increasingly stringent requirements of safety and quality. All of our sites outside of India are approved by the respective regulatory bodies in the jurisdictions where they are located.

We manufacture most of our finished products at these facilities and also use contract manufacturing arrangements as we determine necessary. For each of our products, we continue to identify, upgrade and develop alternate vendors as part of risk mitigation and continual improvement.

The ingredients for the manufacture of the finished products are sourced from in-house API manufacturing facilities and from vendors, both local and non-local. Each of these vendors undergo a thorough assessment as part of the vendor qualification process before they qualify as an approved source. We attempt to identify more than one supplier in each drug application or make plans for alternate vendor development from time to time, considering the supplier s history and future product requirements. Arrangements with international raw material suppliers are subject to, among other things, respective country regulations, various import duties and other government clearances.

The prices of our raw materials generally fluctuate in line with commodity cycles. Raw material expense forms the largest portion of our cost of revenues. We evaluate and manage our commodity price risk exposure through our operating procedures and sourcing policies.

The logistics services for storage and distribution in the United States, Germany, Venezuela and Russia are outsourced to a third party service provider.

We manufacture formulations in various dosage forms including tablets, capsules, injections, liquids and creams. These dosage forms are then packaged, quarantined and subject to stringent quality tests, to assure product quality before release into the market. We manufacture our key brands for our Indian markets at our facilities in Baddi, Himachal Pradesh, to take advantage of certain fiscal benefits offered by the Government of India, which includes partial exemption from income taxes for a specified period.

All pharmaceutical manufacturers that sell products in any country are subject to regulations issued by the Ministry of Health (or its equivalent) of the respective country. These regulations govern, or influence the testing, manufacturing, packaging, labeling, storing, record-keeping, safety, approval, advertising, promotion, sale and distribution of products. Our facilities and products are periodically inspected by various regulatory authorities such as the U.S. FDA, the U.K. MHRA, the German BfARM, the South African Medicines Control Council, the Brazilian ANVISA, the Romanian National Medicines Agency, Ukrainian State Pharmacological Center, the local World Health Organization and Drug Control Authority of India, all of which have extensive enforcement powers over the activities of pharmaceutical manufacturers operating within their jurisdiction.

Changes in OctoPlus N.V. operations

In the year ended March 31, 2013, we acquired Netherlands-based specialty pharmaceutical company OctoPlus N.V. (OctoPlus). OctoPlus has developed significant in-house expertise in the development and creation of micro-spheres and liposomes using certain polymer based technologies that enhance and enable controlled-release of the subject API into the human body. OctoPlus is well-known in the market for formulating complex injectables using polylactic-co-glycolic acid (PLGA) technology, which requires significant expertise and experience. In addition, OctoPlus also uses its own patented PolyActive technology in specific project based injectables.

OctoPlus was previously engaged in our internal drug development projects as well as providing pharmaceutical development services to external customers. During the year ended March 31, 2015, we decided to significantly increase the utilization of OctoPlus technical know-how and its time and effort on internal drug development projects, and to scale-down its external pharmaceutical development services.

Table of Contents

Pharmaceutical Services and Active Ingredients (PSAI) segment

Our Pharmaceutical Services and Active Ingredients (PSAI) segment includes our 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 our contract research services business and our manufacture and sale of steroids in accordance with specific customer requirements.

Our PSAI segment s revenues for the year ended March 31, 2015 were Rs.25,456 million, an increase of 6% as compared to the year ended March 31, 2014. Our PSAI segment accounted for 17% of our total revenues for the year ended March 31, 2015.

During the year ended March 31, 2015, we filed 77 Drug Master Files (DMFs) worldwide, of which 12 were filed in the United States, 16 were filed in Europe and 49 were filed in other countries. Cumulatively, our total DMFs filed worldwide as of March 31, 2015 were 735, including 219 DMFs filed in the United States.

We produce and market more than 100 different APIs for numerous markets. Our PSAI segment s API business is operated independently from our Global Generics segment and, in addition to supplying API to our Global Generics segment, our PSAI segment sells API to third parties for use in manufacturing generic products, subject to any patent rights of other third parties. We export API to more than 80 countries, and our principal overseas markets in this business segment include North America (the United States and Canada) and Europe. Our PSAI segment s API business also manufactures and supplies the API requirements of our pharmaceutical services business. The research and development group within our API business contributes to our business by creating intellectual property (principally with respect to novel and non-infringing manufacturing processes and intermediates), providing research intended to reduce the cost of production of our products and developing new products.

The pharmaceutical services (contract research and manufacturing) arm of our PSAI segment was established in 2001 to leverage our strength in process chemistry to serve the niche segment of Innovator pharmaceutical and fine chemicals industry. Over the years, our business strategy in this area has evolved to focus on the marketing of process development and manufacturing services. Our objective is to be the preferred partner for innovator pharmaceutical companies, providing a complete range of services that are necessary to take their innovations to the market speedily and more efficiently. The focus is to leverage our skills in process development, analytical development, formulation development and Current Good Manufacturing Practice (cGMP) to serve various needs of innovator pharmaceutical companies. We have positioned our PSAI segment s Custom Pharmaceutical Services business to be the partner of choice for large and emerging innovator companies across the globe, with service offerings spanning the entire value chain of pharmaceutical services.

Sales, Marketing and Distribution

Developed Markets. Our PSAI segment s principal overseas markets are the United States and Europe. Our PSAI segment s sales to these markets were Rs.15,112 million for the year ended March 31, 2015, and accounted for 59% of our PSAI segment s revenues for the year ended March 31, 2015. In the United States and Europe, the patent protection for a large number of high value branded pharmaceutical products expired in years ended March 31, 2011, 2012 and 2013 and this opened the market to generic products that sourced their API from our PSAI segment. However, during the years ended March 31, 2014 and 2015, such expirations were much less frequent, which resulted in a decrease in new opportunities in these markets for the customers of our PSAI segment. We market our products through our subsidiaries in the United States and Europe. These subsidiaries are engaged in all aspects of marketing

activity and support our customers pursuit of regulatory approval for their products, focusing on building long-term relationships with the customers.

Other Key Markets. India is an important market for our PSAI segment, with total sales of Rs.3,288 million, and it accounted for 13% of the PSAI segment s revenues in the year ended March 31, 2015. In India, we market our API products to Indian and multinational companies, many of whom are also our competitors in our Global Generics segment. The market in India is highly competitive, with severe pricing pressure and competition from lower cost foreign imports in several products.

Our PSAI segment s sales to all of the other markets (excluding the United States, Europe and India) were Rs.7,056 million for the year ended March 31, 2015 and accounted for 28% of our PSAI segment s revenues for the year. Our PSAI segment s other key markets include Brazil, Mexico, South Korea and Japan. While we work through our agents in these markets, our zonal marketing managers also interact directly with our key customers in order to service their requirements.

Our focus is on building relationships with top customers in each of these markets and partnering with them in product launches by providing timely technical and analytical support.

Table of Contents

For our custom pharmaceutical services line of business, we have focused business development teams dedicated to our key geographies of North America (the United States and Canada), the European Union and Asia Pacific. These teams target large and emerging innovator companies to build long-term business relationships focused on catering to their outsourcing needs.

Going forward, we expect our PSAI segment to show growth on account of our investments in newer technologies and platforms. We are also pursuing a partnership model to enable our customers to reach more markets faster and efficiently by leveraging our cost leadership and presence across the globe.

PSAI Manufacturing and Raw Materials

The infrastructure for our PSAI segment consists of eight U.S. FDA-inspected plants (six of which are in India, one of which is in Mexico, and one of which is in Mirfield, United Kingdom) and three technology development centers (two of which are in Hyderabad, India and one of which is in Cambridge, United Kingdom). In addition, we have also set up a new manufacturing facility which is part of a Special Economic Zone located in Devunipalavalasa, Srikakulam, Andhra Pradesh, India.

India. All of the facilities in India are located in the states of Andhra Pradesh and Telangana. We have the flexibility to produce quantities that range from a few kilograms to several metric tons. The manufacturing process consumes a wide variety of raw materials that we obtain from sources that comply with the requirements of regulatory authorities in the markets to which we supply our products. We procure raw materials on the basis of our requirement planning cycles. We utilize a broad base of suppliers in order to minimize risk arising from dependence on a single supplier. We also source several APIs from third party suppliers for resale. During the year ended March 31, 2015, approximately 7% of our total API revenues resulted from sales of API procured from third-party suppliers. We maintain stringent quality controls when procuring materials from third-party suppliers.

The prices of our raw materials generally fluctuate in line with commodity cycles although the prices of raw materials used in our API business are generally more volatile. Raw material expense forms the largest portion of our cost of revenues. We evaluate and manage our commodity price risk exposure through our operating procedures and sourcing policies.

Mexico. Our manufacturing plant in Cuernavaca, Mexico (the Mexico facility) was acquired from Roche during the year ended March 31, 2006. In addition to manufacturing the active pharmaceutical ingredients naproxen and naproxen sodium and a range of intermediates, the Mexico facility synthesizes steroids for use in pharmaceutical and veterinary products.

The Dowpharma Small Molecules business, which we acquired from The Dow Chemical Company in April 2008, continues to offer niche capabilities, such as biocatalysis, chemocatalysis and hydroformulation, to provide cost effective solutions for chiral molecules. The non-exclusive license to Dow s Pfēnex Expression Technology™ for biocatalysis development, also acquired as part of the acquisition, continues to offer us opportunities to provide technology leveraged manufacturing services to innovators, including major global pharmaceutical companies.

For our contract research services, we have well-resourced synthetic organic chemistry laboratories, analytical laboratories and kilo laboratories at our technology development centers at Miyapur and Jeedimetla in Hyderabad, India. Our chemists and engineers understand cGMP manufacturing and regulatory requirements for synthesis, manufacture and formulation of a NCE from the pre-clinical stage to commercialization. To complete the full value chain in development services, we also provide formulation development services. We have facilities for pre-formulation and formulation development, analytical development, clinical trial supplies, pilot scale and product

regulatory support. Larger quantities of APIs are sourced from API plants in India and Mexico.

Our contract research and manufacturing business is uniquely positioned in the market where it utilizes assets (both in terms of physical assets and technical know-how) of a vertically integrated pharmaceutical company and combines this with the service model which we built over the last few years.

Table of Contents

Competition

The global API market can broadly be divided into regulated and less regulated markets. The less regulated markets offer low entry barriers in terms of regulatory requirements and intellectual property rights. The regulated markets, like the United States and Europe, have high entry barriers in terms of intellectual property rights and regulatory requirements, including facility approvals. As a result, there is a premium for quality and regulatory compliance along with relatively greater stability for both volumes and prices. As an API supplier, we compete with a number of manufacturers within and outside India, which vary in size. Our main competitors in this segment are Divis Laboratories Limited, Aurobindo Pharma Limited, Ranbaxy Laboratories Limited, Cipla Limited, Mylan Laboratories Limited, Sun Pharmaceutical Industries Limited and MSN Laboratories Limited, all based or operating in India. In addition, we experience competition from European and Chinese manufacturers, as well as from Teva Pharmaceuticals Industries Limited, based in Israel.

With respect to our custom pharmaceuticals business, we believe that contract manufacturing is a significant opportunity for Indian pharmaceutical companies, based on their strengths of a skilled workforce and a low-cost manufacturing infrastructure. Key competitors in India include Divis Laboratories Limited, Dishman Pharmaceuticals & Chemicals Limited, Jubilant Organosys Limited and Nicholas Piramal India Limited. Key competitors from outside India include Lonza Group, Koninklijke DSM N.V., Albany Molecular Research, Inc., Patheon, Inc. and Cardinal Health, Inc. We distinguish ourselves from our key competitors by offering a wider range of cost effective services spanning the entire pharmaceutical value chain. Growth in contract manufacturing is likely to be driven by increasing outsourcing of late-stage and off-patent molecules by large pharmaceutical companies to compete with generics. We expect India to emerge as an alliance and outsourcing destination of choice for global pharmaceutical companies.

Government regulations

All pharmaceutical companies that manufacture and market products in India are subject to various national and state laws and regulations, which principally include the Drugs and Cosmetics Act, 1940, the Drugs (Prices Control) Order, 1995, various environmental laws, labor laws and other government statutes and regulations. These regulations govern the testing, manufacturing, packaging, labeling, storing, record-keeping, safety, approval, advertising, promotion, sale and distribution of pharmaceutical products.

In India, manufacturing licenses for drugs and pharmaceuticals are generally issued by state drug authorities. Under the Drugs and Cosmetics Act, 1940, the state drug administration agencies are empowered to issue manufacturing licenses for drugs if they are approved for marketing in India by the Drug Controller General of India (DCGI). Prior to granting licenses for any new drugs or combinations of new drugs, the DCGI clearance has to be obtained in accordance with the Drugs and Cosmetics Act, 1940.

We submit a DMF for active pharmaceutical ingredients to be commercialized in the United States. Any drug product for which an ANDA is being filed must have a DMF in place with respect to a particular supplier supplying the underlying API. The manufacturing facilities are inspected by the U.S. FDA to assess compliance with Current Good Manufacturing Practice regulations (cGMP). The manufacturing facilities and production procedures utilized at the manufacturing facilities must meet U.S. FDA standards before products may be exported to the United States. Eight of our manufacturing facilities are inspected and approved by the U.S. FDA. For European markets, we submit a European DMF and where applicable, obtain a certificate of suitability from the European Directorate for the Quality of Medicines.

Proprietary Products Segment

Our Proprietary Products segment consists of our differentiated formulations business, our new chemical entities (NCEs) business, and our dermatology focused specialty business operated through Promius Pharma.

We continue to leverage our semi-virtual research and development model to expand our portfolio of drug discovery, differentiated and specialty formulations programs. Our research and development efforts primarily focus on repurposing or improving the clinical properties of known, well-characterized API in these areas. We achieve this by efficiently collaborating with different biotechnology companies and service providers, and tapping their expertise in the different areas of our drug development process. We continue to progress towards building a diversified portfolio with a sustainable mix of proprietary, branded differentiated formulations generated through research and development, with significantly reduced fixed costs.

In our Proprietary Products segment, our business model focuses on building a pipeline in therapeutic areas of dermatology and neurology.

Table of Contents

Our research and development efforts have a unique medicines-to-molecules approach to product development. In this approach, we leverage in an integrated manner the disciplines of biology, chemistry, drug delivery, clinical development, regulatory and commercial positioning to construct differentiated formulations and NCEs.

We follow a hybrid research and development model, both in-house and virtual (i.e., operations are outsourced, subject to our supervision of strategic and project management functions), with the following core principles:

- develop creative research and development investment models and partnerships to tap external innovation focused on leveraging, rather than replicating, unique core competencies;
- select assets based on potential for early risk mitigation, both with respect to product development and commercialization; and
- leverage knowledge and presence in emerging markets (especially India) to maximize cost advantage.

Our principal research laboratory is based in Hyderabad, India. As of March 31, 2015, we employed a total of 152 scientists, including 30 scientists who held Ph.D. degrees, across all of this segment s locations. We pursue an integrated research strategy through a mix of translational, formulation and analytical research at our laboratories. Our research strategy focuses on discovery of new molecular targets, designing of screening assays to screen promising molecules and developing novel formulations of currently marketed drugs or combinations thereof to address unmet medical needs.

While we continue to seek licensing and development opportunities with third parties to further develop our product pipeline, we also conduct clinical development of some candidate drugs ourselves, which will enable us to derive higher value for our products. Our goal is to balance internal development of our own product candidates with in-licensing of promising compounds that complement our strengths. We also pursue licensing and joint development of some of our lead compounds with companies looking to implement their own product portfolio.

Pipeline Status

As of March 31, 2015, we had 18 active products in our Proprietary Products development pipeline in various stages of development. We have filed 3 NDAs for products from this pipeline, two in March 2015 and one in April 2015, all under section 505(b)(2) of the U.S. Federal Food, Drug and Cosmetic Act.

The details of our active products which are in Phase III or for which an NDA has been filed from our Proprietary Products segments as of March 31, 2015 are as follows:

Compound	**DFN-02 (previously DFP-02)**	**DFD-01**	**DFD-06**
Therapeutic Area	Migraine	Psoriasis	Psoriasis
Indication	For treatment of migraines, with or without	For treatment of moderate plaque	For treatment of moderate psoriasis

	aura.	psoriasis.	affecting up to 20% of the body surface area in patients 18 years of age or older.
Significant developments during the period	Pivotal bioequivalence studies were completed. Patient safety study initiated.	Phase III studies have been completed and U.S. NDA application has been filed in April 2015.	Non clinical activities are in progress, Phase II studies have been completed and Phase III studies have been initiated. Registration batches have been made.
Significant patents associated with the compound	Patents (including those granted to the development partner) expiring in: U.S. 2026; Australia and New Zealand 2029, and South Africa 2030. Patent applications are pending in certain other countries.	No patents granted. Patent applications are pending in certain countries.	No patents granted.
Current status/ expected NDA filing*	Phase III / 2018	U.S. NDA submitted.	Phase III / 2016

[Continued to next table, first column repeated]

Table of Contents

Compound	DFN-11	DFD-09
Therapeutic Area	Migraine	Dermatology
Indication	Acute treatment of Migraine with or without aura in adults.	Treatment of only inflammatory lesions (papules and pustules) of rosacea in adult patients.
Significant developments during the period	Successful completion of three bioequivalence studies.	Successful completion of bioequivalence studies.
Significant patents associated with the compound	None.	Patent applications are filed in India.
Current status/expected NDA filing*	U.S. NDA submitted.	U.S. NDA submitted.

* The timelines for expected filing may change due to various factors, including outcome of Phase III studies, completion of Integrated Summary of Safety/Integrated Summary of Effectiveness (ISS/ISE), outcome of stability data and internal reprioritization of portfolio.

Patents. Our Proprietary Products segment had the following patents filed and issued as of March 31, 2015:

Category	USPTO[(1)] (# Filed)	USPTO[(1)] (# Granted)	PCT[(2)] (# Filed)	India (# Filed)	India (# Granted)
Anti-diabetic	85	17	62	117	45
Anti-cancer	18	11	14	45	15
Anti-bacterial	8	7	10	22	4
Anti-inflammation/cardiovascular	43	23	35	24	3
Anti-ulcerant	1	1		1	
Miscellaneous	11	3	3	26	8
Differentiated formulations	16	1	13	12	
TOTAL	**182**	**63**	**137**	**247**	**75**

(1) USPTO means the United States Patent and Trademark Office.

(2) PCT means the Patent Cooperation Treaty, an international treaty that facilitates foreign patent filings for residents of member countries when obtaining patents in other member countries.

Stages of Testing Development. The stages of testing required before a pharmaceutical product can be marketed in the United States are generally as follows:

Stage of Development	Description
Preclinical	Animal studies and laboratory tests to evaluate safety and efficacy, demonstrate activity of a product candidate and identify its chemical and physical properties.

Phase I	Clinical studies to test safety and pharmacokinetic profile of a drug in humans.
Phase II	Clinical studies conducted with groups of patients to determine preliminary efficacy, dosage and expanded evidence of safety.
Phase III	Larger scale clinical studies conducted in patients to provide sufficient data for statistical proof of efficacy and safety.

For ethical, scientific and legal reasons, animal studies are required in the discovery and safety evaluation of new medicines. Preclinical tests assess the potential safety and efficacy of a product candidate in animal models. The results of these studies must be submitted to the U.S. FDA as part of an Investigational New Drug (IND) application before human testing may proceed.

Table of Contents

U.S. law further requires that studies conducted to support approval for product marketing be adequate and well controlled. In general, this means that either a placebo or a product already approved for the treatment of the disease or condition under study must be used as a reference control. Studies must also be conducted in compliance with good clinical practice requirements, and adverse event and other reporting requirements must be followed.

The clinical trial process can take five to ten years or more to complete, and there can be no assurance that the data collected will be in compliance with good clinical practice regulations, will demonstrate that the product is safe or effective, or, in the case of a biologic product, pure and potent, or will provide sufficient data to support U.S. FDA approval of the product. The U.S. FDA may place clinical trials on hold at any point in this process if, among other reasons, it concludes that clinical subjects are being exposed to an unacceptable health risk. Trials may also be terminated by institutional review boards, which must review and approve all research involving human subjects. Side effects or adverse events that are reported during clinical trials can delay, impede, or prevent marketing authorization.

Competition

The pharmaceutical and biotechnology industries are highly competitive. We face intense competition from organizations such as large pharmaceutical companies, biotechnology companies and academic and research organizations. The major pharmaceutical organizations competing with us have greater capital resources, larger overall research and development staff and facilities and considerably more experience in drug development. Biotechnology companies competing with us may have these advantages as well.

In addition to competition from collaborators and investors, these companies and institutions also compete with us in recruiting and retaining highly qualified scientific and management personnel.

Government regulations

Virtually all pharmaceutical and biologics products that we or our collaborative partners develop will require regulatory approval by governmental agencies prior to commercialization. The nature and extent to which these regulations apply varies depending on the nature of the products and also vary from country to country. In particular, human pharmaceutical products are subject to rigorous preclinical and clinical testing and other approval procedures by the relevant regulatory agency. The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary widely from country to country.

In India, under the Drugs and Cosmetics Act, 1940, the regulation of the manufacture, sale and distribution of drugs is primarily the concern of the state authorities while the Central Drug Control Administration is responsible for approval of new drugs, clinical trials in the country, establishing the standards for drugs, control over the quality of imported drugs, coordination of the activities of state drug control organizations and providing expert advice with a view of bringing about the uniformity in the enforcement of the Drugs and Cosmetics Act, 1940.

In order to market a drug in the United States, we or our partners will be subject to regulatory requirements governing human clinical trials, marketing approval and post-marketing activities for pharmaceutical products and biologics. Various federal, and in some cases state, statutes and regulations also govern or influence the manufacturing, safety, labeling, storage, record-keeping and marketing of these products. The process of obtaining these approvals and the subsequent compliance with applicable statutes and regulations is time consuming and requires substantial resources, and the approval outcome is uncertain.

Generally, in order to gain U.S. FDA approval, a company first must conduct pre-clinical studies in the laboratory and in animal models to gain preliminary information on a compound s activity and to identify any safety problems.

Pre-clinical studies must be conducted in accordance with U.S. FDA regulations. The results of these studies are submitted as part of an IND application that the U.S. FDA must review before human clinical trials of an investigational drug can start. If the U.S. FDA does not respond with any questions, a drug developer can commence clinical trials thirty days after the submission of an IND.

In order to eventually commercialize any products, we or our collaborator first will be required to sponsor and file an IND and will be responsible for initiating and overseeing the clinical studies to demonstrate the safety and efficacy that is necessary to obtain U.S. FDA marketing approval. Clinical trials are normally done in three phases and generally take several years to complete. The clinical trials have to be designed taking into account the applicable U.S. FDA guidelines. Furthermore, the U.S. FDA may suspend clinical trials at any time if the U.S. FDA believes that the subjects participating in trials are being exposed to unacceptable risks or if the U.S. FDA finds deficiencies in the conduct of the trials or other problems with our product under development.

Table of Contents

After completion of clinical trials of a new product, U.S. FDA marketing approval must be obtained. If the product is classified as a new pharmaceutical, we or our collaborator will be required to file a New Drug Application (NDA), and receive approval before commercial marketing of the drug. The testing and approval processes require substantial time and effort. NDAs submitted to the U.S. FDA can take several years to obtain approval and the U.S. FDA is not obligated to grant approval at all.

Even if U.S. FDA regulatory clearances are obtained, a marketed product is subject to continual review. If and when the U.S. FDA approves any of our or our collaborators products under development, the manufacture and marketing of these products will be subject to continuing regulation, including compliance with cGMP, adverse event reporting requirements and prohibitions on promoting a product for unapproved uses. Later discovery of previously unknown problems or failure to comply with the applicable regulatory requirements may result in restrictions on the marketing of a product or withdrawal of the product from the market as well as possible civil or criminal sanctions. Various federal and, in some cases, state statutes and regulations also govern or influence the manufacturing, safety, labeling, storage, record keeping and marketing of pharmaceutical products.

Our research and development processes involve the controlled use of hazardous materials and controlled substances. We are subject to federal, state and local laws and regulations governing the use, manufacture, storage, handling and disposal of these materials and waste products.

Promius Pharma

Promius Pharma is our subsidiary in Princeton, New Jersey in the United States focusing on our U.S. Specialty Business, which is engaged in the development and sales of branded specialty products in the therapeutic areas of dermatology and neurology.

Promius Pharma has a portfolio of in-licensed patented dermatology products. It also has an internal pipeline of dermatology products that are in different stages of development. Promius Pharma s current portfolio contains innovative products for the treatment of seborrheic dermatitis, acne and steroid responsive dermatoses. It has commercialized five products: EpiCeram®, which is a skin barrier emulsion for the treatment of atopic dermatitis; Scytera , which is foam for the treatment of psoriasis; Promiseb , which is a cream for the treatment for seborrheic dermatitis; Cloderm® (clocortolone pivalate 0.1%), which is a cream used for treating dermatological inflammation; and Trianex®, which is a cream for the treatment of the inflammatory and pruritic manifestations of corticosteroid responsive dermatoses.

Promius Pharma leverages our research, development and manufacturing facilities in Hyderabad, India. Promius Pharma also works with various third party research organizations in conducting product development, pre-clinical and clinical studies. Promius Pharma has 53 sales representatives, six regional sales managers and one sales director in the field. Its sales force targets physicians in the field of dermatology and is supported by a direct marketing team and a public relations program. The manufacturing of Promius Pharma s products has been outsourced to third party manufacturers based in the United States and Europe.

Seasonality

Certain parts of our business are affected by seasonality, primarily the India and Russia geographies in the Global Generics segment. The seasonal impact of these particular businesses may affect a quarterly comparison within any fiscal year. However, there is generally no significant seasonality impact on a year to year basis.

56

Table of Contents

4.C. ***Organizational structure***

Dr. Reddy s Laboratories Limited is the parent company in our group. We had the following subsidiary companies where our direct and indirect ownership was more than 50% as of March 31, 2015:

Name of the subsidiary	Country of Incorporation	Percentage of Direct/Indirect Ownership Interest
Aurigene Discovery Technologies (Malaysia) Sdn. Bhd.	Malaysia	100%(3)
Aurigene Discovery Technologies Inc.	U.S.A.	100%(3)
Aurigene Discovery Technologies Limited	India	100%
beta Institut gemeinnützige GmbH	Germany	100%(8)
betapharm Arzneimittel GmbH	Germany	100%(8)
Cheminor Investments Limited	India	100%
Chienna B.V.	Netherlands	100%(14)
Chirotech Technology Limited	United Kingdom	100%(5)
DRANU LLC	U.S.A.	50%(16)
Dr. Reddy s Bio-Sciences Limited	India	100%
Dr. Reddy s Farmaceutica Do Brasil Ltda.	Brazil	100%
Dr. Reddy s Laboratories (Australia) Pty. Limited	Australia	100%(10)
Dr. Reddy s Laboratories Canada, Inc.	Canada	100%(10)
Dr. Reddy s Laboratories (EU) Limited	United Kingdom	100%(10)
Dr. Reddy s Laboratories Inc.	U.S.A.	100%(10)
Dr. Reddy s Laboratories International SA	Switzerland	100%(10)
Dr. Reddy s Laboratories, LLC	Ukraine	100%(10)
Dr. Reddy s Laboratories Louisiana LLC	U.S.A.	100%(6)
Dr. Reddy s Laboratories New York, Inc.	U.S.A.	100%(10)
Dr. Reddy s Laboratories (Proprietary) Limited	South Africa	100%(10)
Dr. Reddy s Laboratories Romania S.R.L.	Romania	100%(10)
Dr. Reddy s Laboratories SA	Switzerland	100%
Dr. Reddy s Laboratories SAS (from November 4, 2014)	Colombia	100%(10)
Dr. Reddy s Laboratories Tennessee, LLC	U.S.A.	100%(6)
Dr. Reddy s Laboratories (UK) Limited	United Kingdom	100%(5)
Dr. Reddy s New Zealand Limited.	New Zealand	100%(10)
Dr. Reddy s Pharma SEZ Limited	India	100%
Dr. Reddy s Singapore PTE Limited	Singapore	100%(10)
Dr. Reddy s Srl	Italy	100%(11)
Dr. Reddy s Venezuela, C.A.	Venezuela	100%(10)
DRL Impex Limited	India	100%
Eurobridge Consulting B.V.	Netherlands	100%(1)
Industrias Quimicas Falcon de Mexico, S.A. de CV	Mexico	100%
Idea2Enterprises (India) Pvt. Limited	India	100%
I-Ven Pharma Capital Limited (until November 20, 2014)	India	100%(12)
Kunshan Rotam Reddy Pharmaceutical Co. Limited	China	51.33%(4)
Lacock Holdings Limited	Cyprus	100%(10)
OOO Dr. Reddy s Laboratories Limited	Russia	100%(10)

OOO DRS LLC	Russia	100%[9]
OctoPlus B.V. (formerly OctoPlus N.V.)	Netherlands	100%[13]
OctoPlus Development B.V.	Netherlands	100%[14]
OctoPlus Sciences B.V.	Netherlands	100%[14]
OctoPlus PolyActive Sciences B.V.	Netherlands	100%[15]
OctoPlus Technologies B.V.	Netherlands	100%[14]
OctoShare B.V.	Netherlands	100%[14]

Table of Contents

Name of the subsidiary	Country of Incorporation	Percentage of Direct/Indirect Ownership Interest
Promius Pharma LLC	U.S.A.	100%(6)
Reddy Antilles N.V.	Netherlands	100%
Reddy Specialities GmbH	Germany	100%(8)
Reddy Cheminor S.A.	France	100%(2)
Reddy Holding GmbH	Germany	100%(10)
Reddy Netherlands B.V.	Netherlands	100%(10)
Reddy Pharma Iberia SA	Spain	100%
Reddy Pharma Italia S.p.A.	Italy	100%(7)

(1) Indirectly owned through Reddy Antilles N.V.
(2) Subsidiary under liquidation.
(3) Indirectly owned through Aurigene Discovery Technologies Limited.
(4) Kunshan Rotam Reddy Pharmaceutical Co. Limited is a subsidiary, as we hold a 51.33% stake. However, we account for this investment by the equity method and do not consolidate it in our financial statements.
(5) Indirectly owned through Dr. Reddy s Laboratories (EU) Limited.
(6) Indirectly owned through Dr. Reddy s Laboratories Inc.
(7) Indirectly owned through Lacock Holdings Limited.
(8) Indirectly owned through Reddy Holding GmbH.
(9) Indirectly owned through Eurobridge Consulting B.V.
(10) Indirectly owned through Dr. Reddy s Laboratories SA.
(11) Indirectly owned through Reddy Pharma Italia S.p.A.
(12) Indirectly owned through DRL Impex Limited. This company was liquidated effective November 20, 2014.
(13) Indirectly owned through Reddy Netherlands B.V.
(14) Indirectly owned through OctoPlus B.V. (formerly OctoPlus N.V.)
(15) Indirectly owned through OctoPlus Sciences B.V.
(16) DRANU LLC is consolidated in accordance with guidance available in IFRS 10.

Table of Contents

4.D. ***Property, plant and equipment***

The following table sets forth current information relating to our principal facilities:

Sl. No.	Location	Approximate Area (Square feet)	Built up Area (Square feet)	Certifications	Installed Capacity	Actual Production
	Within India					
1	API Hyderabad Plant 1, Telangana, India[21]	734,013	405,920	U.S. FDA and EUGMP	4,723[8][11]	3,214[8][11]
2	API Hyderabad Plant 2, Telangana, India[21]	725,274	400,981	U.S. FDA and EUGMP	See above[11]	See above[11]
3	API Hyderabad Plant 3, Telangana, India[21]	715,610	217,515	U.S. FDA and EUGMP	See above[11]	See above[11]
4	API Hyderabad Plant 4, Telangana, India[21]	228,033	141,035	U.S. FDA and EUGMP	See above[11]	See above[11]
5	API Nalgonda Plant, Telangana, India[21]	3,402,907	609,025	U.S. FDA and EUGMP	See above[11]	See above[11]
6	API Srikakulam Plant, Andhra Pradesh, India[21]	4,047,595	1,528,075	U.S. FDA and EUGMP	See above[11]	See above[11]
7	API Srikakulam Plant (SEZ), Andhra Pradesh, India[22]	11,001,863	414,351		N/A	N/A
8	Technology Development Centre Hyderabad 1, Telangana, India[23]	113,256	96,445	ISO 27001: 2005 Information Security Management System	N/A	N/A
9	Technology Development Centre Hyderabad 2, Telangana, India[23]	68,825	23,538	ISO 27001: 2005 Information Security Management System	N/A	N/A
10	Formulations Hyderabad Plant 1, Telangana, India[22]	217,729	195,348	(2)	8,221[6][13][15]	4,831 [6][13]
11	Formulations Hyderabad Plant 2, Telangana, India[22]	3,202,862	987,765	(3)	See above[13]	See above[13]
12	Formulations Yanam Plant, Pondicherry,	457,000	63,738		See above[13]	See above[13]

	India[22]					
13	Formulations Baddi Plant 1, Himachal Pradesh, India[22]	728,234	304,185	(19)	See above[13]	See above[13]
14	Formulations Baddi Plant 2, Himachal Pradesh, India[22]	381,342	205,204		See above[13]	See above[13]
15	Biologics Hyderabad, Telangana, India[22]	789,727	213,002	(2)	125,122[9][14]	31,856[9]
16	Formulations Hyderabad Plant 3, Telangana, India[22]	1,539,098	906,030	(4)	11,600[6][10]	5,897[6]
17	Formulations Srikakulam Plant 1 (SEZ), Andhra Pradesh, India[17][22]	878,054	255,247	U.S. FDA	800[6]	N/A
18	Formulations Srikakulam Plant 2 (SEZ), Andhra Pradesh, India[17][22]	328,912	103,964		N/A	N/A
19	Formulations Visakhapatnam Plant 1 (SEZ), Andhra Pradesh, India[22]	581,880	163,552	U.S. FDA and BfARM, Germany	127[6][7]	11[6]
20	Formulations Visakhapatnam Plant 2 (SEZ), Andhra Pradesh, India[22]	528,529	133,424		N/A	N/A
21	ADTL Hyderabad, Telangana, India[7]	187,308	114,512		N/A	N/A
22	ADTL Bengaluru, Karnataka, India[7]	718,455	266,408		N/A	N/A
	Outside India					
23	API Cuernavaca Plant, Mexico[23]	2,361,840	689,719	(1)	3,500[8]	2,041[8]
24	API Mirfield Plant, United Kingdom[23]	1,785,960	653,400	(20)	(12)	(12)
25	API Middleburgh Plant, New York, United States[5][22]	292,000	26,000		50-100[16]	N/A
26	Technology Development Centre, Cambridge, United Kingdom[5][23]	32,966	32,966		N/A	N/A
27	Technology Development Centre, OctoPlus N.V., Leiden, the Netherlands[5][21]	56,500	18,700	EUGMP	2[7][8]	0.07[7][8]
28	Formulations Beverley Plant, East	81,000	32,500	U.K. MHRA cGMP	700[6][14][15]	400[6][15]

	Yorkshire, United Kingdom[22]					
29	Formulations Shreveport Plant, Louisiana, United States[22]	1,817,123	335,000	U.S. FDA	5,875[6][10]	3,291[6]
30	Formulations Bristol Plant, TN, United States[22]	1,742,400	390,000	U.S. FDA	2,460[6][10]	193[6]

Table of Contents

(1) U.S. FDA; European Directorate for the Quality of Medicines & HealthCare (EDQM); Ministry of Health, Labour and Welfare, Japan; Secretaría de Salud, Mexico; Ministry of Health, Romania; Korean Ministry of Food and Drug Safety and Health Canada.
(2) National Medicines Agency, Romania; Ministry of Health, Ukraine; National Center of Drugs, Medical Products and Medical Equipment Examination, Kazakhstan; World Health Organization, cGMP.
(3) Medicine Control Council, Republic of South Africa; The State Company for Marketing Drugs and Medical Appliances, Ministry of Health, Iraq; Ministry of Health, Muscat; Ministry of Health, State of Bahrain; Ministry of Health, Kuwait; National Medicines Agency, Romania; Ministry of Health, Ukraine; World Health Organization, cGMP; Medicines and Health Care Products Regulatory Agencies (MHRA), U.K., British Retail Consortium; BfARM, Germany; National Center of Drugs, Medical Products and Medical Equipment Examination, Kazakhstan.
(4) U.S. FDA; Medicines and Healthcare Products Regulatory Agency, U.K.; Medicines Control Council, South Africa; ANVISA, Brazil; Environmental Management System ISO 14001; Occupational Health and Safety Management System OHSAS 18001; Quality Management System-ISO 9001:2000; BfARM, Germany; China Food and Drug Administration, China; Turkish Drug and Medical Institution, Turkey; Therapeutic Goods Administration, Australia; Ministry of Healthcare, Ukraine; National Center of Drugs, Medical Products and Medical Equipment Examination, Kazakhstan and WHO.
(5) Leased facilities.
(6) Million units.
(7) On a single shift basis.
(8) Tons.
(9) Grams.
(10) Three shift basis
(11) Represents the aggregate capacity and production for the facilities serially numbered from 1 to 6 in this table.
(12) Capacity and production at this facility is not separately tracked.
(13) Represents the aggregate capacity and production for the facilities serially numbered from 10 to 14 in this table.
(14) Installed capacity is variable and subject to changes in product mix, and utilization of manufacturing facilities given the nature of production.
(15) On a two shift basis.
(16) Kilograms.
(17) This facility is part of our PSAI segment s Special Economic Zone (SEZ) in Devunipalavalasa, Srikakulam, Andhra Pradesh, India.
(18) Includes facilities of our Integrated Product Development Organization (IPDO), Leadership Academy and Global Distribution Centre located at our Bachupally Campus in Hyderabad, Telangana, India.
(19) WHO-GMP, National Center of Drugs, Medical Products and Medical Equipment Examination, Kazakhstan, Ministry of Healthcare, Ukraine.
(20) ISO 9001:2008, MHRA (UK), U.S. FDA and Korean FDA (Travapost).
(21) This facility is used by our Global Generics and PSAI segments.
(22) This facility is used by our Global Generics segment.
(23) This facility is used by our PSAI segment.

Except for as indicated in the notes above, we own all of our facilities. All properties identified above, including leased properties, are either used for manufacturing and packaging of pharmaceutical products or for research and development activities. In addition, we have sales, marketing and administrative offices, some of which are owned and some others are leased properties. We believe that our facilities are optimally utilized.

60

Table of Contents

Global Generics

During the year ended March 31, 2015, we obtained approvals from the U.S. FDA for products to be manufactured from a recently commissioned oral solid dosage form facility in a Special Economic Zone in Devunipalavalasa, Srikakulam, Andhra Pradesh, India. The new plant is intended for the manufacture of new molecules, and certain high volume products of our Global Generics segment.

During the year ended March 31, 2014, we set up a new manufacturing facility in a Special Economic Zone in Duvvada, Visakhapatnam, Andhra Pradesh, India for the manufacture of parenteral (injectable form) products. This will help us meet the demand for such products in some of our key markets, including the United States.

During the year ended March 31, 2013, we expanded our biosimilars facility in Hyderabad, Telangana, India to meet growing demand in emerging markets.

Pharmaceutical Services and Active Ingredients

During the year ended March 31, 2013, we set up a new manufacturing facility in a Special Economic Zone located in Devunipalavalasa, Srikakulam, Andhra Pradesh, India. We have begun filing some of our new DMFs from this location and we expect to file some more during the year ending March 31, 2016. This plant is adjacent to an existing plant, in a newly acquired area of approximately 250 acres under a Pharmaceutical-Sector specific Special Economic Zone for fiscal benefits. This location also houses our Global Generics segment s recently commissioned oral solid dosage form facility. The formal governmental approval for designating the property as a Special Economic Zone has been obtained.

Material plans to construct, expand and improve facilities

As of March 31, 2015, we had capital work-in-progress and capital commitments of Rs.6,119 million and Rs.4,173 million, respectively, for expansion of our manufacturing and research facilities, primarily relating to facilities located in India and the United States. We currently intend to finance our additional expansion plans entirely through our operating cash flows and through cash and other investments. A majority of these projects are expected to be completed during the fiscal years ending March 31, 2016 and March 31, 2017.

Environmental laws and regulations

We are subject to significant national and state environmental laws and regulations which govern the discharge, emission, storage, handling and disposal of a variety of substances that may be used in or result from our operations at the above facilities. Non-compliance with the applicable laws and regulations may subject us to penalties and may also result in the closure of our facilities.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

Table of Contents

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Overview

We are an integrated global pharmaceutical company committed to providing affordable and innovative medicines. We derive our revenues from the sale of finished dosage forms, active pharmaceutical ingredients and intermediates, development and manufacturing services provided to innovator pharmaceutical and biotechnology companies, and license fees from marketing authorizations for our products.

The Chief Operating Decision Maker (CODM) evaluates our performance and allocates resources based on an analysis of various performance indicators by reportable 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.

Our reportable operating segments are as follows:

- Global Generics;
- Pharmaceutical Services and Active Ingredients (PSAI); and
- Proprietary Products.

Global Generics. This segment consists of our 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 our biologics business.

Pharmaceutical Services and Active Ingredients. This segment includes our 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 our contract research services business and our manufacture and sale of active pharmaceutical ingredients and steroids in accordance with the specific customer requirements.

Proprietary Products. This segment consists of our Differentiated Formulations business, our New Chemical Entities (NCEs) business, and our dermatology focused specialty business operated through Promius Pharma.

Others. This includes the operations of our wholly-owned subsidiary, Aurigene Discovery Technologies Limited, a discovery stage biotechnology company developing novel and best-in-class therapies in the fields of oncology and inflammation and which works with established pharmaceutical and biotechnology companies in early-stage collaborations, bringing drug candidates from hit generation through Investigational New Drug (IND) filing.

The measurement of each segment s revenues, expenses and assets is consistent with the accounting policies that are used in preparation of our consolidated financial statements.

62

Table of Contents

Critical Accounting Policies

Critical accounting policies are defined as those that in our view are the most important to the portrayal of our financial condition and results and that require the most exercise of management s judgment. We consider the policies discussed under the following paragraphs to be critical for an understanding of our financial statements. Our significant accounting policies and application of these are discussed in detail in Notes 2 and 3 to our consolidated financial statements.

Accounting estimates and judgments

While preparing financial statements in conformity with IFRS, we make certain estimates and assumptions that require difficult, subjective and complex judgments. These judgments affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses, disclosure of contingent liabilities at the statement of financial position date and the reported amount of income and expenses for the reporting period. Financial reporting results rely on our estimate of the effect of certain matters that are inherently uncertain. Future events rarely develop exactly as forecast and the best estimates require adjustments, as actual results may differ from these estimates under different assumptions or conditions. We continually evaluate these estimates and assumptions based on the most recently available information.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as below:

Assessment of functional currency;

Financial instruments;

Business combinations;

Useful lives of property, plant and equipment and intangible assets;

Valuation of inventories;

Measurement of recoverable amounts of cash-generating units;

Assets and obligations relating to employee benefits;

Provisions;

Sales returns, rebates and chargeback provisions;

Evaluation of recoverability of deferred tax assets; and

Contingencies.

Revenue

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is 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 recognized upon delivery of products to distributors by our clearing and forwarding agents. Significant risks and rewards in respect of ownership of generic products are transferred by us 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 recognized on delivery of products to customers (generally formulation manufacturers) from our factories. Revenue from export sales and other sales outside of India is recognized 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 recognized once all such activities are completed.

Table of Contents

Profit share revenues

From time to time, we enter into marketing arrangements with certain business partners for the sale of our products in certain markets. Under such arrangements, we sell our products to the business partners at a non-refundable base purchase price agreed upon in the arrangement, and we are 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 recognized in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognized as revenue in the period which corresponds to the ultimate sales of the products made by business partners only when the collectability of the profit share becomes probable and a reliable measurement of the profit share is available. 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 recognized for each period, we use all available information and evidence, including any confirmations from the business partner of the profit share amount owed to us, to the extent made available before the date our Board of Directors authorizes the issuance of our 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 upon inception of the license and subsequent payments dependent on achieving certain milestones in accordance with the terms prescribed in the agreement. Non-refundable up-front license fees received in connection with product out-licensing agreements are deferred and recognized over the period in which we have continuing performance obligations. Milestone payments which are contingent on achieving certain clinical milestones are recognized as revenues either on achievement of such milestones, if the milestones are considered substantive, or over the period we have 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, sales returns and discounts

In our U.S. Generics business, our gross revenues are significantly reduced by chargebacks, rebates, sales returns, discounts, shelf stock adjustments, Medicaid payments and similar gross-to-net adjustments. Each of such adjustments are discussed in detail below.

Chargebacks: Chargebacks are issued to wholesalers for the difference between our invoice price to the wholesaler and the contract price through which the product is resold in the retail part of the supply chain. The information that we consider for establishing a chargeback accrual includes the historical average chargeback rate over a period of time, current contract prices with wholesalers and other customers, and estimated inventory holding by the wholesaler. With this methodology, we believe that the results are more realistic and closest to the potential chargeback claims that may be received in the future period relating to inventory on which a claim is yet to be received as at the end of the reporting period. In addition, as part of our book closure process, a chargeback validation is performed in which we track and reconcile the volume

of inventory sold for which we should carry an appropriate provision for chargeback. We procure the inventory holding statements and data through an electronic data interface with our wholesalers (representing approximately 90% of the total value of chargebacks outstanding at every reporting date) as part of this reconciliation. On the basis of this volume reconciliation, chargeback accrual is validated. For the chargeback rate computation, we consider different contract prices for each product across our customer base. This chargeback rate is adjusted (if necessary) on a periodic basis for expected future price reductions.

Rebates: Rebates (direct and indirect) are generally provided to customers as an incentive to stock and sell our products. Rebate amounts are based on a customer s purchases made during an applicable period. Rebates are paid to wholesalers, chain drug stores, health maintenance organizations or pharmacy buying groups under a contract with us. We determine our estimates of rebate accruals primarily based on the contracts entered into with our wholesalers and other direct customers and the information received from them for secondary sales made by them. For direct rebates, liability is accrued whenever we invoice to direct customers. For indirect rebates, the accruals are based on a representative weighted average percentage of the contracted rebate amount applied to inventory sold and delivered by us to wholesalers or other direct customers.

Table of Contents

Sales Return Allowances: We account for sales returns by recording a provision based on our estimate of expected sales returns. We deal in various products and operate in various markets. Accordingly, our estimate of sales returns is determined primarily by our experience in these markets. In respect of established products, we determine an estimate of sales returns provision primarily based on historical experience of such sales returns. Additionally, other factors that we consider in determining the estimate include levels of inventory in the distribution channel, estimated shelf life, product discontinuances, price changes of competitive products, and introduction of competitive new products, to the extent each of these factors impact our business and markets. We consider all of these factors and adjust the sales return provision to reflect our actual experience. With respect to new products introduced by us, those have historically been either extensions of an existing product line where we have historical experience or in a general therapeutic category where established products exist and are sold either by us or our competitors.

We have not yet introduced products in a new therapeutic category where the sales returns experience of such products by us or our competitors (as we understand based on industry publications) is not known. The amount of sales returns for our newly launched products have not historically differed significantly from sales returns experience of the then current products marketed by us or our competitors (as we understand based on industry publications). Accordingly, we do not expect sales returns for new products to be significantly different from expected sales returns of current products. We evaluate sales returns of all our products at the end of each reporting period and record necessary adjustments, if any.

Medicaid Payments: We estimate the portion of our sales that may get dispensed to customers covered under Medicaid programs based on the proportion of units sold in the previous two quarters for which a Medicaid claim could be received as compared to the total number of units sold in the previous two quarters. The proportion is based on an analysis of the actual Medicaid claims received for the preceding four quarters. In addition, we also apply the same percentage on the derived estimated inventory sold and delivered by us to our wholesalers and other direct customers to arrive at the potential volume of products on which a Medicaid claim could be received. We use this approach because we believe that it corresponds to the approximate six month time period it takes for us to receive claims from the various Medicaid programs. After estimating the number of units on which a Medicaid claim is to be paid, we use the latest available Medicaid reimbursement rate per unit to calculate the Medicaid accrual. In the case of new products, accruals are done based on specific inputs from our marketing team or data from the publications of IMS Health.

Shelf Stock Adjustments: Shelf stock adjustments are credits issued to customers to reflect decreases in the selling price of products sold by us, 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.

Cash Discounts: We offer cash discounts to our customers, generally at 2% of the gross sales price, as an incentive for paying within invoice terms, which generally range from 45 to 90 days. Accruals for such cash discounts do not involve any significant variables, and the estimates are based on the gross sales price and agreed cash discount percentage at the time of invoicing.

We believe our estimation processes are reasonable methods of determining accruals for the gross-to-net adjustments. Chargeback accrual accounts for the highest element among the gross-to-net adjustments, and constituted approximately 71% of such gross-to-net adjustments for our U.S. Generics business for the year ended March 31, 2015. For the purpose of the following discussion, we are therefore restricting our explanations to this specific element. While chargeback accruals depend on multiple variables, the most pertinent variables are our estimates of inventories on which a chargeback claim is yet to be received and the unit price at which the chargeback will be processed. To determine the chargeback accrual applicable for a reporting period, we perform the following procedures to calculate these two variables:

a) *Estimated inventory* Inventory volumes on which a chargeback claim that is expected to be received in the future are determined using the validation process and methodology described above (see Chargebacks above). When such a validation process is performed, we note that the difference represents an immaterial variation. Therefore, we believe that our estimation process in regard to this variable is reasonable.

Table of Contents

b) *Unit pricing rate* At any point in time, inventory volumes on which we carry our chargeback accrual represents up to 1.5 months of sales volumes. Therefore, the sensitivity of price changes on our chargeback accrual only relates to such volumes. Assuming that the chargebacks were processed within such period, we analyzed the impact of changes of prices for the periods beginning April 1, 2014, 2013 and 2012, respectively, and ended March 31, 2015, 2014 and 2013, respectively, on our estimated inventory levels computed based on the methodology described above (see Chargebacks above). We note that the impact on net sales on account of such price variation was negligible.

In view of this, we believe that the calculations are not subject to a level of uncertainty that warrants a probability-based approach. Accordingly, we believe that we have been reasonable in our estimates for future chargeback claims and that the amounts of reversals or adjustments made in the current period pertaining to the previous year s accruals are immaterial. Further, this data is not determinable except on occurrence of specific instances or events during a period, which warrant an adjustment to be made for such accruals.

A roll-forward for each major accrual for our U.S. Generics operations is presented below for our fiscal years ended March 31, 2013, 2014 and 2015, respectively:

Particulars	**Chargebacks**	**Rebates**	**Medicaid**	**Sales Returns**
		(All values in U.S. $millions)		
Beginning Balance: April 1, 2012	124	60	7	14
Current provisions relating to sales in current year	1,162	246	14	19
Provisions and adjustments relating to sales in prior years	*	1	1	
Credits and payments**	(1,119)	(194)	(10)	(13)
Ending Balance: March 31, 2013	**167**	**113**	**12**	**20**
Beginning Balance: April 1, 2013	167	113	12	20
Current provisions relating to sales in current year	1,029	355	17	24
Provisions and adjustments relating to sales in prior years	*	2	0	
Credits and payments**	(1,070)	(340)	(14)	(16)
Ending Balance: March 31, 2014	**126**	**130**	**15**	**28**
Beginning Balance: April 1, 2014	126	130	15	28
Current provisions relating to sales in current year[(1)]	1,939	635	24	32
Provisions and adjustments relating to sales in prior years	*		0	
Credits and payments**	(1,871)	(543)	(22)	(20)
Ending Balance: March 31, 2015	**194**	**222**	**17**	**40**

* Currently, we do not separately track provisions and adjustments, in each case to the extent relating to prior years for chargebacks. However, the adjustments are expected to be non-material. The volumes used to calculate the closing balance of chargebacks represent up to 1.5 months equivalent of sales, which corresponds to the pending chargeback claims yet to be processed.

** Currently, we do not separately track the credits and payments, in each case to the extent relating to prior years for chargebacks, rebates, medicaid payments or sales returns.

(1) Chargebacks and rebates provisions for the year ended March 31, 2015 and payments for the year ended March 31, 2015 were each higher as compared to the year ended March 31, 2014, primarily as a result of customer consolidation (such as the Walgreens Boots Alliance Development, the Red Oak Sourcing joint venture between CVS and Cardinal Health, and the McKesson expanded distribution agreements with Rite Aid and Omnicare). Such customer consolidation has led to an increase in the difference between our invoice price to the wholesaler and the contract price through which the product is resold in the retail part of the supply chain, as well as an increase in rebates offered to retail customers.

The estimates of gross-to-net adjustments for our operations in India and other countries outside of the U.S. relate mainly to sales return allowances in all such operations, and certain rebates to healthcare insurance providers are specific to our German operations. The pattern of such sales return allowances is generally consistent with our gross sales. In Germany, the rebates to healthcare insurance providers mentioned above are contractually fixed in nature and do not involve significant estimations by us.

Table of Contents

Our overall provision for sales returns as at March 31, 2015 was Rs.3,905 million, as compared to a provision of Rs.2,504 million as at March 31, 2014. This increase in our provision was primarily attributable to a higher allowance for returns provision created for the year ended March 31, 2015 due to higher sales recorded for the year ended March 31, 2015 and higher anticipated sales returns, based on our historical experience and recent trends in actual sales returns, in the markets in which we operate. For further information regarding our sales return provisions, refer to Note 20 to our consolidated financial statements.

Services

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

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments consist of investments in mutual funds, equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, trade and other payables and certain other assets and liabilities.

Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs, except for those instruments that are designated as being fair value through profit and loss upon initial recognition. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, short-term means investments having 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.

Other investments

Other investments consist of term deposits with original maturities of more than three months, mutual funds and equity securities.

Investments in mutual funds and equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income/(loss) and presented within equity. When an investment is derecognized, the cumulative gain or loss in equity is transferred to the consolidated income statement.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is expected within one year or within the

normal operating cycle of the business.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are classified as current assets if the collection is expected within one year or within the normal operating cycle of the business.

Debt instruments and other financial liabilities

We initially recognize debt instruments issued on the date that they originate. All other financial liabilities are recognized initially on the trade date, which is the date we become a party to the contractual provisions of the instrument. These are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Others

Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

Table of Contents

Derivative financial instruments

We are exposed to exchange rate risks which arise from our foreign exchange revenues, expenses and borrowings primarily in U.S. dollars, U.K. pounds sterling, Russian roubles, Venezuelan bolivars and Euros, and foreign currency debt in U.S. dollars, Russian roubles and Euros.

We use derivative financial instruments, including foreign exchange forward contracts, option contracts and currency swap contracts, to mitigate our risk of changes in foreign currency exchange rates and interest rates. We also use non-derivative financial instruments as part of our foreign currency exposure risk mitigation strategy.

Hedges of highly probable forecasted transactions

We classify our derivative financial instruments that hedge foreign currency risk associated with highly probable forecasted transactions as cash flow hedges and measure them at fair value. The effective portion of such cash flow hedges is recorded in our hedging reserve, as a component of equity, and re-classified to the consolidated income statement 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 income statement as finance costs immediately.

We also designate 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, we apply cash flow hedge accounting to such relationships. Remeasurement gain/loss on such non-derivative financial liabilities is recorded in our hedging reserve, as a component of equity, and reclassified to the consolidated income statement as revenue in the period corresponding to the occurrence of the forecasted transactions.

Upon initial designation of a hedging instrument, we formally document the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. We make an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80%-125% relative to the gain or loss on the hedged items. For cash flow hedges to be highly effective , a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.

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 recognized in other comprehensive income/(loss), remains there until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income/(loss) is recognized immediately in the consolidated income statement.

Hedges of recognized assets and liabilities

Changes in the fair value of derivative financial instruments (such as forward contracts and option contracts) that economically hedge monetary assets and liabilities in foreign currencies, and for which no hedge accounting is applied, are recognized in the consolidated income statement. The changes in fair value of such derivative financial instruments, as well as the foreign exchange gains and losses relating to the monetary items, are recognized as part of net finance income/(expense) in the consolidated income statement.

Hedges of changes in the interest rates

Consistent with our risk management policy, we use interest rate swaps to mitigate the risk of changes in interest rates. We do not use such instruments for trading or speculative purposes.

De-recognition of financial assets and liabilities

We derecognize a financial asset when the contractual right to the cash flows from that asset expires, or we transfer the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. If we retain substantially all the risks and rewards of ownership of a transferred financial asset, we continue to recognize the financial asset and also recognize a collateralized borrowing, at amortized cost, for the proceeds received.

Table of Contents

We derecognize a financial liability when its contractual obligations are discharged, cancelled or expired. The difference between the carrying amount of the derecognized financial liability and the consideration paid is recognized as profit or loss.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, we have a legal right and ability to offset the amounts and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Foreign currency

Functional currency

The consolidated financial statements are presented in Indian rupees, which is the functional currency of our parent company, DRL. Functional currency of an entity is the currency of the primary economic environment in which the entity operates.

In respect of all non-Indian subsidiaries that operate as marketing arms of our parent company in their respective countries/regions, the functional currency has been determined to be the functional currency of our parent company (i.e., the Indian rupee). The operations of these subsidiaries are largely restricted to the import of finished goods from our parent company in India, sale of these products in the foreign country and making of import payments to our parent company. The cash flows realized from sale of goods are available for making import payments to our parent company and cash is paid to our parent company on a regular basis. The costs incurred by these subsidiaries are primarily the cost of goods imported from our parent company. The financing of these subsidiaries is done directly or indirectly by our 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.

Foreign currency transactions and foreign operations

Transactions in foreign currencies are translated to the respective functional currencies of entities within our company group 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. 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 recognized in profit or 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. In such circumstances, we consider all the relevant facts and circumstances in determining the most appropriate rate to use for the purpose of translation, including practical difficulties, uncertainties or delays associated with applying a foreign currency at a particular rate.

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 recognized 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 Indian rupees (our 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 reporting currency at exchange rates at the reporting date. The income and expenses of such foreign operations are translated to the reporting currency at the monthly average exchange rates prevailing during the year. Resulting foreign currency differences are recognized 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 income statement.

Table of Contents

Business combinations

We use the acquisition method of accounting to account for any business combination that occurred on or after April 1, 2009. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. It is not clear in all circumstances whether the acquired set of activities and assets constitutes a business or not. In such situations, we use our judgment and take into consideration various factors such as the industry, the structure of the entity s operations and the stage of development, in determining whether the acquired set of activities and assets constitutes a business. Further, determining whether a particular set of assets and activities is a business is based on whether the integrated set is capable of being conducted and managed as a business by a market participant. 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 we are exposed to, or have rights to, variable returns from our involvement with the entity and have 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.

We measure goodwill as of the applicable acquisition date at the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount of the identifiable assets acquired and liabilities assumed. When the fair value of the net identifiable assets acquired and liabilities assumed exceeds the consideration transferred, a bargain purchase gain is recognized immediately in the consolidated income statement. Consideration transferred includes the fair values of the assets transferred, liabilities incurred by us to the previous owners of the acquiree, and equity interests issued by us. Consideration transferred also includes the fair value of any contingent consideration. Consideration transferred does not include amounts related to settlement of pre-existing relationships. Any goodwill that arises on account of such business combination is tested annually for impairment. 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, we recognize any non-controlling interest in the acquiree either at fair value or at the non-controlling interest s proportionate share of the acquiree s net assets. Transaction costs incurred by us 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.

Property, plant and equipment

Recognition and measurement

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

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

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within other (income)/expense, net in the consolidated income statement.

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

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

Depreciation

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

Table of Contents

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings		
Factory and administrative buildings	20	50 years
Ancillary structures	3	15 years
Plant and equipment	3	15 years
Furniture, fixtures and office equipment	4	10 years
Vehicles	4	5 years
Computer equipment	3	5 years

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

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

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 our 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 us, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

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

Research and development

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

Expenditures on development activities involving a plan or design for the production of new or substantially improved products and processes are capitalized only if:

development costs can be measured reliably;

the product or process is technically and commercially feasible;

future economic benefits are probable; and

we intend to and have sufficient resources to complete development and to use or sell the asset.

Our internal drug development expenditures are capitalized only if they meet the recognition criteria as mentioned above. Where regulatory and other uncertainties are such that the criteria are not met, the expenditures are recognized in profit or loss as incurred. This is almost invariably the case prior to approval of the drug by the relevant regulatory authority. However, where the recognition criteria are met, intangible assets are capitalized and amortized on a straight-line basis over their useful economic lives from product launch. As of March 31, 2015, no internal drug development expenditure amounts have met the recognition criteria. The expenditures to be capitalized include the cost of materials and other costs directly attributable to preparing the asset for its intended use. Other development expenditures are recognized in profit or loss as incurred.

Table of Contents

In conducting our research and development activities related to new chemical entities (NCEs), we seek to optimize our expenditures and to limit our risk exposures. Most of our current research and development projects related to NCEs are at an early discovery/development phase. These early development stage exploratory projects are numerous and are characterized by uncertainty with respect to timing and cost of completion. At such time as a research and development project related to NCE progresses into the more costly clinical study phases, where the costs can be tracked separately, such project is considered to be significant if:

a) it is expected to account for more than 10% of our total research and development costs; and

b) the costs and efforts to develop the project can be reasonably estimated and the product resulting from the project has a high probability of launch.

Historically, none of our development projects related to NCEs have met the significance thresholds listed above.

A substantial portion of our current research and development activities relates to the development of bio-equivalent products, which do not require full scale clinical trials to be conducted prior to the filing by us of applications with regulatory authorities to allow the marketing and sale of such products. Our total research and development costs for the year ended March 31, 2015 were Rs.17,449 million, which was approximately 12% of our total revenue for the year. The amounts spent on research and development related to our bio-equivalent products for the years ended March 31, 2015, 2014 and 2013 represented approximately 60%, 62%, and 60%, respectively, of our total research and development expenditures.

For each of our bio-equivalent generic product research and development projects, the timing and cost of completion varies depending on numerous factors, including, among others: the intellectual property patented by the innovator for the applicable product; the patent regimes of the countries in which we seek to market the product; our development strategy for such product; the complexity of the molecule for such product; and the time required to address any development challenges that arise during the development process. For any particular bio-equivalent generic product, these factors and other product launch requirements may vary across the numerous geographies in which we seek to market the product. In addition, bio-equivalent research and development projects often may relate to a number of different therapeutic areas. At any particular point of time, we tend to have a very high number of bio-equivalent generic product research and development projects ongoing simultaneously, in various developmental stages, with the exact number of such active projects changing regularly. As a result, we believe it would be impractical for us to state the exact number of ongoing projects and the estimated timing or cost to complete such projects.

Payments to third parties that generally take the form of up-front payments and milestones for in-licensed products, compounds and intellectual property are capitalized. Our criteria for capitalization of such assets are consistent with the guidance given in paragraph 25 of International Accounting Standard 38 (IAS 38) (i.e., receipt of economic benefits out of the separately purchased transaction is considered to be probable).

Acquired research and development intangible assets, which are under development and have accordingly not yet obtained marketing approval, are recognized as In-Process Research and Development (IPR&D) assets. IPR&D 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 IPR&D assets is recorded in the consolidated income statement under Research and Development expenses .

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 recognized immediately in the consolidated income statement.

Amortization

Amortization is recognized in the consolidated income statement on a straight-line basis over the estimated useful lives of intangible assets or on any other basis that reflects the pattern in which the asset s future economic benefits are expected to be consumed by the entity. Intangible assets that are not available for use are amortized from the date they are available for use. In determining the useful life we consider the following factors:

- technical, technological, commercial or other types of obsolescence;

- expected actions by competitors or potential competitors;

- typical product life cycles for the asset and public information on estimates of useful lives of similar assets that are used in a similar way; and

- the period of control over the asset and legal or similar limits on the use of the asset.

Table of Contents

Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Significant financial assets are tested for impairment on an individual basis.

All impairment losses are recognized in the consolidated income statement. When the fair value of available-for-sale financial assets declines below acquisition cost and there is objective evidence that the asset is impaired, the cumulative loss that has been recognized in other comprehensive income is transferred to the statement of income. An impairment loss may be reversed in subsequent periods if the indicators for the impairment no longer exist. Such reversals are recognized in other comprehensive income.

Non-financial assets

The carrying amounts of our non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset s recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, an impairment test is performed each year at March 31.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that 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).

In the circumstances where the asset specific discount rate is not directly available from the market, we use surrogates to estimate the discount rate. For this purpose, we take into consideration the following rates:

- the weighted average cost of capital determined using techniques such as the Capital Asset Pricing Model;
- our incremental borrowing rate; and
- other market borrowing rates.

However, these rates are adjusted:

- to reflect the way that the market would assess the specific risks associated with the asset s estimated cash flows; and

- to exclude the risks that are not relevant to the asset s estimated cash flows or for which the estimated cash flows have been adjusted.

Consideration is given to risks such as country risk, currency risk and price risk.

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 recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated income statement. Impairment losses recognized 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 recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss for an asset other than goodwill is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss for an asset other than goodwill is reversed only to the extent that the asset s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Goodwill that forms part of the carrying amount of an investment in an associate is

Table of Contents

not recognized 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.

Income tax

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

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

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

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 us in different tax jurisdictions is recognized using the tax rate of the jurisdiction in which such inventories are held. Withholding tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for us and all such taxes are recognized in the statement of changes in equity as part of the associated dividend payment.

Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods, and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils) that are used in operating machines or consumed as indirect materials in the manufacturing process.

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

The factors that we consider in determining the allowance for slow moving, obsolete and other non-saleable inventory includes estimated shelf life, planned product discontinuances, price changes, aging of inventory and introduction of competitive new products, to the extent each of these factors impact our business and markets. We consider all of these factors and adjust the inventory provision to reflect our actual experience on a periodic basis.

Litigations

We are 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. Most of the claims involve complex issues. We assess the need to make a provision for a liability for such claims and record a provision when we determine that a loss related to a matter is both probable and reasonably estimable.

Because litigation and other contingencies are inherently unpredictable, our assessment can involve judgments about future events. 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 are difficult to ascertain. 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

Table of Contents

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. We also believe that disclosure of the amount of damages sought by plaintiffs, if that is known, would not be meaningful with respect to those legal proceedings.

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. In such circumstances, we disclose information with respect to the nature and facts of the case.

Other provisions

We recognize a provision if, as a result of a past event, we have a present legal or constructive obligation that can be estimated reliably, and it is probable (i.e., more likely than not) that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Restructuring

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

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by us 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, we recognize any impairment loss on the assets associated with that contract.

Reimbursement rights

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

Recent Accounting Pronouncements

Refer to Note 3(s) to our consolidated financial statements.

Table of Contents

5.A. ***Operating results***

Income Statement Data

	For the Year Ended March 31,			
	2015	**2015**	**2014**	**2013**
	(Rs. in millions, U.S.$ in millions, both except share and per share data)			
	Convenience translation into U.S.$			
Revenues	U.S.$ 2,378	Rs.148,189	Rs.132,170	Rs.116,266
Cost of revenues	1,008	62,786	56,369	55,687
Gross profit	**1,371**	**85,403**	**75,801**	**60,579**
Selling, general and administrative expenses	683	42,585	38,783	34,272
Research and development expenses	280	17,449	12,402	7,674
Other (income)/expense, net	(15)	(917)	(1,416)	(2,479)
Results from operating activities	**422**	**26,286**	**26,032**	**21,112**
Finance (expense)/income, net	27	1,682	400	460
Share of profit of equity accounted investees, net of tax	3	195	174	104
Profit/(loss) before tax	**452**	**28,163**	**26,606**	**21,676**
Tax expense	(96)	(5,984)	(5,094)	(4,900)
Profit/(loss) for the year	**356**	**22,179**	**21,512**	**16,776**

The following table sets forth, for the periods indicated, financial data as percentages of total revenues and the increase (or decrease) by item as a percentage of the amount over the comparable period in the previous years.

	Percentage of Sales For the year ended March 31,			**Percentage Increase/ (Decrease)**	
	2015	**2014**	**2013**	**2014 to 2015**	**2013 to 2014**
Revenues	100.0%	100.0%	100.0%	12.1%	13.7%
Gross profit	**57.6%**	**57.4%**	**52.1%**	**12.7%**	**25.1%**
Selling, general, and administrative expenses	28.7%	29.3%	29.5%	9.8%	13.2%
Research and development expenses	11.8%	9.4%	6.6%	40.7%	61.6%
Other (income)/expense, net	(0.6%)	(1.1%)	(2.1%)	(35.3%)	(42.9%)
Results from operating activities	**17.7%**	**19.8%**	**18.2%**	1.0%	**23.3%**
Finance (expense)/income, net	1.1%	0.3%	0.4%	320.4%	(13.0%)
Share of profit of equity accounted investees, net of tax	0.1%	0.1%	0.1%	12.1%	67.3%
Profit before income taxes	**19.0%**	**20.1%**	**18.6%**	5.9%	**22.7%**
Tax expense	(4.0%)	(3.9%)	(4.2%)	17.5%	4.0%
Profit for the period	**15.0%**	**16.3%**	**14.4%**	3.1%	**28.2%**

76

Table of Contents

The following table sets forth, for the periods indicated, our consolidated revenues by segment:

	For the year ended March 31,					
	2015		2014		2013	
	(Rs. in millions)					
	Revenues	Revenues (Segment % of Total)	Revenues	Revenues (Segment % of Total)	Revenues	Revenues (Segment % of Total)
Global Generics	Rs. 120,556	81%	Rs. 105,164	80%	Rs. 82,563	71%
Pharmaceutical Services and Active Ingredients	25,456	17%	23,974	18%	30,702	26%
Proprietary Products	1,013	1%	1,778	1%	1,468	1%
Others	1,164	1%	1,254	1%	1,533	2%
Total	**Rs. 148,189**	**100%**	**Rs. 132,170**	**100%**	**Rs. 116,266**	**100%**

Fiscal Year Ended March 31, 2015 compared to Fiscal Year Ended March 31, 2014

Revenues

Our overall consolidated revenues were Rs.148,189 million for the year ended March 31, 2015, an increase of 12% as compared to Rs.132,170 million for the year ended March 31, 2014. Revenue growth for the year ended March 31, 2015 was largely driven by our Global Generics segment s operations in the United States, India and our Rest of the World markets (i.e., all markets other than North America, Europe, Russia and other countries of the former Soviet Union, and India), primarily Venezuela.

The following table sets forth, for the periods indicated, our consolidated revenues by geography:

	For the year ended March 31,					
	2015		2014		2013	
	(Rs. in millions)					
	Revenues	% of Total Revenue *	Revenues	% of Total Revenue *	Revenues	% of Total Revenue *
Global Generics	**Rs. 120,556**	**81%**	**Rs. 105,164**	**80%**	**Rs. 82,563**	**71%**
North America (the United States and Canada)	64,723	54%	55,303	53%	37,846	46%
Europe	7,193	6%	6,970	6%	7,716	9%
India	17,870	15%	15,713	15%	14,560	18%
Russia and other countries of the former Soviet Union	17,713	15%	19,819	19%	16,908	20%
Others	13,057	11%	7,359	7%	5,533	7%
Pharmaceutical Services and Active Ingredients	**Rs. 25,456**	**17%**	**Rs. 23,974**	**18%**	**Rs. 30,702**	**26%**

North America (the United States and Canada)	4,605	18%	3,820	16%	5,744	19%
Europe	10,507	41%	9,058	38%	12,007	39%
India	3,288	13%	3,787	16%	4,638	15%
Others	7,056	28%	7,309	30%	8,313	27%
Proprietary Products and Others	**Rs. 2,177**	**2%**	**Rs. 3,032**	**2%**	**Rs. 3,001**	**3%**
Total	**Rs. 148,189**	**100%**	**Rs. 132,170**	**100%**	**Rs. 116,266**	**100%**

* This represents the segment s revenue from sales in the respective geography as a percentage of the total segment s revenue.

Table of Contents

During the year ended March 31, 2015, the Indian rupee depreciated by approximately 1.1% against the U.S. dollar, while the Euro and the Russian rouble depreciated by approximately 4.5% and 22.3%, respectively, against the Indian rupee as compared to the year ended March 31, 2014. These changes in exchange rates reduced our reported revenues because of the decrease in Indian rupee realization from sales in Euros and Russian roubles. However, our lower realization for the Russian rouble was partially offset by net gains realized on cash flow hedges undertaken by us to hedge the foreign currency risk associated with highly probable forecasted sales transactions. Accordingly, on a net basis, our realizations of Russian rouble denominated revenues reported in Indian rupees were lower by 19% for the year ended March 31, 2015, as compared to our revenues for the year ended March 31, 2014 adjusted for gains on such cash flow hedges, on account of the depreciation of the Russian rouble.

Segment analysis

Global Generics

Revenues from our Global Generics segment were Rs.120,556 million for the year ended March 31, 2015, an increase of 15% as compared to Rs.105,164 million for the year ended March 31, 2014. The revenue growth was largely led by this segment s operations in the United States, India and Venezuela.

After taking into account the impact of exchange rate fluctuations of the Indian rupee against multiple currencies in the markets in which we operate, the foregoing increase in revenues of this segment was attributable to the following factors:

- an increase of approximately 7% resulting from the introduction of new products during the year ended March 31, 2015;
- a decrease of approximately 13% resulting from the net impact of decreases in sales prices of products; and
- an increase of approximately 21% resulting from increased sales volumes of existing products (including the annualized impact of products launched during the year ended March 31, 2014).

The following is a discussion of the key markets in our Global Generics segment:

North America (the United States and Canada): Our Global Generics segment s revenues from North America (the United States and Canada) were Rs.64,723 million for the year ended March 31, 2015, an increase of 17% as compared to the year ended March 31, 2014. In U.S. dollar absolute currency terms (i.e., U.S. dollars without taking into account the effect of currency exchange rates), such revenues increased by 15% for the year ended March 31, 2015 as compared to the year ended March 31, 2014.

This revenue growth was largely attributable to the following:

- revenues from new products launched during the year ended March 31, 2015, such as valganciclovir, sirolimus and Habitrol®;

a gain in market share of certain of our existing products, such as divalproex sodium ER, azacitidine, decitabine, and ziprasidone; and

the foregoing was partially offset by lower realization from certain of our existing products due to price decreases.

The following table sets forth products that we launched in the United States during the year ended March 31, 2015:

Product	Innovator s Brand	Innovator
eszopiclone	Lunesta®	Seprocor
fenofibrate capsules	Antara®	Ethypharm
paricalcitol	Zemplar®	Abbott
duloxetine delayed release capsules	Cymbalta®	Eli Lilly
levalbuterol hydrochloride	Xopenex®	Sunovion Pharmaceuticals
sirolimus	Rapamune®	Pfizer
docetaxel	Taxotere®	Sanofi
fexofenadine pseudophedrine HCL OTC	Allegra D12®	Sanofi
fluconazole	Diflucan®	Pfizer
valganciclovir	Valcyte®	Roche
isotretinoin 30 mg	Zenatane®	Roche

Table of Contents

Furthermore, during the year ended March 31, 2015, we acquired from Novartis Consumer Health Inc. the title and rights to its Habitrol® brand (an over-the-counter nicotine replacement therapy transdermal patch) and related U.S. marketing rights, and we began marketing the product in the United States.

During the year ended March 31, 2015, we made 13 new ANDA filings, and as of March 31, 2015 our cumulative ANDA filings were 220. As of March 31, 2015, we had 68 ANDAs pending approval at the U.S. FDA, of which 43 are Paragraph IV filings, and we believe we are the first to file with respect to 13 of these filings.

***India*:** Our revenues from India for the year ended March 31, 2015 were Rs.17,870 million, an increase of 14% as compared to the year ended March 31, 2014. This growth was largely attributable to the increase in sales volumes across our key brands and revenues from new brands launched during the year ended March 31, 2015. According to IMS Health in its Moving Annual Total report for the year ended March 31, 2015, our secondary sales in India grew by 13.1% during such period, as compared to the India pharmaceutical market s growth of 12.1% during such period. During the year ended March 31, 2015, we launched 18 new brands in India such as DOXT-SL™, Melgain®, Xalibo™ , and Resof (sofosbuvir).

Furthermore, in April 2015, we 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 established products business in the territories of India, Nepal, Sri Lanka and Maldives for a total purchase consideration of Rs.8,000 million. The purchased business was acquired on a slump sale basis (an Indian tax law concept which refers to the transfer of a business as a going concern without values being assigned to individual assets and liabilities). The transaction includes approximately 350 employees engaged in the operations of the acquired India business. The acquisition is expected to strengthen our presence in the areas of dermatology, respiratory and pediatric products. The acquired business had revenues of approximately Rs.1,500 million for the year ended December 31, 2014. The transaction was closed on June 16, 2015 and we began marketing of these products.

Emerging Markets: Our revenues from our Emerging Markets (which is comprised of Russia, other countries of the former Soviet Union, and certain other countries from our Rest of the World markets, primarily Venezuela, South Africa and Australia) for the year ended March 31, 2015 were Rs.30,770 million, an increase of 13% as compared to the year ended March 31, 2014. The reasons for this growth are set forth below in the separate discussions of these geographies.

Russia: Our Global Generics segment s revenues from Russia were Rs.14,922 million for the year ended March 31, 2015, a decrease of 9% as compared to the year ended March 31, 2014. In Russian rouble absolute currency terms (i.e., Russian roubles without taking into account the effect of currency exchange rates), such revenues increased by 13% for the year ended March 31, 2015 as compared to the year ended March 31, 2014. Our over-the-counter (OTC) division s revenues from Russia for the year ended March 31, 2015 were 36% of our total revenues from Russia, and we intend to further strengthen our OTC sales by continuous branding initiatives.

According to IMS Health, as per its report for the year ended March 31, 2015, our sales value (in Russian roubles) growth and volume growth from Russia, as compared to the Russian pharmaceutical market sales value (in Russian roubles) growth and volume growth for the year ended March 31, 2015 was as follows:

	Year ended March 31, 2015	
	Dr. Reddy s	**Russian pharmaceutical**

			market	
	Sales value	**Volume**	**Sales value**	**Volume**
Prescription (Rx)	6.62%	-5.67%	12.29%	0.27%
Over-the-counter (OTC)	16.86%	7.28%	12.30%	-1.84%
Total (Rx + OTC)	10.10%	-2.66%	12.29%	-1.26%

As per the above referenced IMS Health report, our volume-based market shares in Russia for the years ended March 31, 2015 and 2014 were as follows:

	Year ended March 31,	
	2015	**2014**
Prescription (Rx)	4.68%	4.97%
Over-the-counter (OTC)	0.63%	0.58%
Total (Rx + OTC)	1.77%	1.80%

Table of Contents

Other countries of the former Soviet Union: Our revenues from other countries of the former Soviet Union for the year ended March 31, 2015 were Rs.2,791 million, a decrease of 20% over the year ended March 31, 2014. This decline was largely on account of a decrease in sales volumes in Ukraine, primarily on account of the geo-political situation in Ukraine coupled with depreciation of the Ukrainian hryvnia against the Indian rupee. During the year ended March 31, 2015, the Ukrainian hryvnia depreciated by approximately 41% as compared to the year ended March 31, 2014.

Rest of the World Markets: We refer to all markets of this segment other than North America, Europe, Russia and other countries of the former Soviet Union and India as our Rest of the World markets. Our revenues from our Rest of the World markets were Rs.13,057 million for the year ended March 31, 2015, an increase of 77% as compared to the year ended March 31, 2014. The growth was largely led by increased revenues in Venezuela attributable to new marketing initiatives for prescription products. Our sales in Venezuela were Rs.8,335 million for the year ended March 31, 2015.

Europe: Our Global Generics segment s revenues from Europe were Rs.7,193 million for the year ended March 31, 2015, an increase of 3% as compared to the year ended March 31, 2014. This growth was led by revenues from new products launched during the year ended March 31, 2015.

Pharmaceutical Services and Active Ingredients (PSAI)

Our PSAI segment s revenues for the year ended March 31, 2015 were Rs.25,456 million, an increase of 6% as compared to the year ended March 31, 2014. After taking into account the impact of the exchange rate fluctuations of the Indian rupee against multiple currencies in the markets in which we operate, this increase was largely attributable to:

- increased sales of active pharmaceutical ingredients for the year ended March 31, 2015, primarily attributable to certain key products such as capecitabine and epoxide, partially offset by the net impact of changes in sales prices of existing products, all of which increased our PSAI segment s revenues by approximately 5%; and

- increased customer orders in our pharmaceutical development services for certain products provided to innovator companies, which increased our PSAI segment s revenues by approximately 1%.

During the year ended March 31, 2015, we filed 77 Drug Master Files (DMFs) worldwide. Cumulatively, our total worldwide DMFs as of March 31, 2015 were 735, including 219 DMFs in the United States.

Gross Profit

Our total gross profit was Rs.85,403 million for the year ended March 31, 2015, representing 57.6% of our total revenues for this period, as compared to Rs.75,801 million for the year ended March 31, 2014, representing 57.4% of our total revenues for such period.

The following table sets forth, for the periods indicated, our gross profit by segment:

	For the year ended March 31,					
	2015		2014		2013	
	(Rs. in millions)					
	Gross Profit	Gross Profit (% of Segment Revenue)	Gross Profit	Gross Profit (% of Segment Revenue)	Gross Profit	Gross Profit (% of Segment Revenue)
Global Generics	Rs.78,553	65%	Rs.69,148	66%	Rs.48,721	59%
Pharmaceutical Services and Active Ingredients	5,709	22%	4,848	20%	9,970	32%
Proprietary Products	812	80%	1,606	90%	1,324	90%
Others	329	28%	199	16%	564	37%
Total	**Rs.85,403**	**58%**	**Rs.75,801**	**57%**	**Rs.60,579**	**52%**

Table of Contents

After taking into account the impact of the exchange rate fluctuations of the Indian rupee against multiple currencies in the markets in which we operate, the gross profits from our Global Generics segment decreased to 65.2% for the year ended March 31, 2015 from 65.8% for the year ended March 31, 2014. This decrease was largely attributable to the impact of changes in our existing business mix (i.e., a decrease in the proportion of sales of higher gross margin products and an increase in the proportion of sales of lower gross margin products).

The gross profits from our PSAI segment increased to 22.4% for the year ended March 31, 2015, from 20.2% for the year ended March 31, 2014. This increase was primarily due to an increase in sales of products with higher gross profit margins during the year ended March 31, 2015.

Selling, general and administrative expenses

Our selling, general and administrative expenses were Rs.42,585 million for the year ended March 31, 2015, an increase of 10% as compared to Rs.38,783 million for the year ended March 31, 2014. After taking into account the impact of exchange rate fluctuations of the Indian rupee against multiple currencies in the markets in which we operate, this increase was largely attributable to the following:

- increased personnel costs, due to annual raises and new recruitments, which increased our selling, general and administrative expenses by approximately 4%;
- for the year ended March 31, 2015 we had recorded impairment losses of Rs.509 million, as compared to a reversal of impairment losses of Rs.497 million recorded for the year ended March 31, 2014, which resulted in an approximately 3% difference in selling, general and administrative expenses between the two periods; and
- increased sales and marketing costs, which increased our selling, general and administrative expenses by approximately 1%.

As a proportion of our total revenues, our selling, general and administrative expenses decreased to 28.7% for the year ended March 31, 2015 from 29.3% for the year ended March 31, 2014.

Research and development expenses

Our research and development expenses were Rs.17,449 million for the year ended March 31, 2015, an increase of 41% as compared to Rs.12,402 million for the year ended March 31, 2014. This increase was in accordance with our strategy to expand our research and development efforts in complex formulations, differentiated formulations and biosimilar compounds. Approximately 60% of our research and development expenses for the year ended March 31, 2015 were spent towards the development of bio-equivalent products and the other 40% was dedicated to innovative and bio-pharmaceutical research.

Furthermore, consequent to our decision to discontinue the further development of certain In-Process Research and Development assets pertaining to our Proprietary Products segment, we recorded Rs.95 million as impairment loss for the year ended March 31, 2015 under research and development expenses.

Other (income)/expense, net

Our net other income was Rs.917 million for the year ended March 31, 2015, as compared to net other income of Rs.1,416 million for the year ended March 31, 2014. Our net other income for the year ended March 31, 2014 included Rs.415 million from the resolution of litigation associated with the sale of one of our generic products in North America.

Finance (expense)/income, net

Our net finance income was Rs.1,682 million for the year ended March 31, 2015, as compared to net finance income of Rs.400 million for the year ended March 31, 2014. The increase in net finance income was attributable to:

- net foreign exchange gain of Rs.1,801 million (excluding the impact of Venezuela currency exchange loss described below) for the year ended March 31, 2015, as compared to net foreign exchange gain of Rs.372 million for the year ended March 31, 2014;

- foreign exchange loss of Rs.843 million for the year ended March 31, 2015 on translation of certain monetary assets and liabilities of our Venezuelan subsidiary. Refer to Note 39 to our consolidated financial statements for further details;

- net interest expense of Rs.31 million for the year ended March 31, 2015, as compared to net interest expense of Rs.189 million for the year ended March 31, 2014; and

- profit on sale of investments of Rs.755 million for the year ended March 31, 2015, as compared to profit on sale of investments of Rs.213 million for the year ended March 31, 2014.

Table of Contents

Profit before tax

As a result of the above, profit before income taxes was Rs.28,163 million for the year ended March 31, 2015, an increase of 6% as compared to Rs.26,606 million for the year ended March 31, 2014.

Tax expense

Our consolidated weighted average tax rate for the year ended March 31, 2015 was 21.2%, as compared to 19.1% for the year ended March 31, 2014. Income tax expense was Rs.5,984 million for the year ended March 31, 2015, as compared to income tax expense of Rs.5,094 million for the year ended March 31, 2014. The effective tax rate for the period ended March 31, 2014 was lower primarily as a result of a favorable order from the Income Tax Appellate Tribunal, Hyderabad, India on a previously litigated tax matter relating to the deductibility of share-based payment expenses.

Profit for the period

As a result of the above, our net result was a net profit of Rs.22,179 million for the year ended March 31, 2015, as compared to a net profit of Rs.21,512 million for the year ended March 31, 2014.

Table of Contents

Fiscal Year Ended March 31, 2014 compared to Fiscal Year Ended March 31, 2013

Revenues

Our overall consolidated revenues were Rs.132,170 million for the year ended March 31, 2014, an increase of 14% as compared to Rs.116,266 million for the year ended March 31, 2013. Revenue growth for the year ended March 31, 2014 was largely driven by our Global Generics segment s operations in the United States and our Emerging Markets (which is comprised of Russia, other countries of the former Soviet Union, and certain other countries from our Rest of the World markets, primarily South Africa, Venezuela and Australia).

The following table sets forth, for the periods indicated, our consolidated revenues by geography:

	For the Year Ended March 31,					
	2014		2013		2012	
	Revenues	% of Total Revenue *	Revenues	% of Total Revenue *	Revenues	% of Total Revenue *
	(Rs. in millions)					
Global Generics	**Rs. 105,164**	**80%**	**Rs. 82,563**	**71%**	**Rs. 70,243**	**72%**
North America (the United States and Canada)	55,303	53%	37,846	46%	31,889	45%
Europe	6,970	6%	7,716	9%	8,259	12%
India	15,713	15%	14,560	18%	12,931	18%
Russia and other countries of the former Soviet Union	19,819	19%	16,908	20%	13,260	19%
Rest of the World	7,359	7%	5,533	7%	3,904	6%
Pharmaceutical Services and Active Ingredients	**Rs. 23,974**	**18%**	**Rs. 30,702**	**26%**	**Rs. 23,812**	**25%**
North America (the United States and Canada)	3,820	16%	5,744	19%	4,272	18%
Europe	9,058	38%	12,007	39%	8,424	35%
India	3,787	16%	4,638	15%	3,586	15%
Rest of the World	7,309	30%	8,313	27%	7,531	32%
Proprietary Products and Others	**Rs. 3,032**	**2%**	**Rs. 3,001**	**3%**	**Rs. 2,682**	**3%**
Total	**Rs. 132,170**	**100%**	**Rs. 116,266**	**100%**	**Rs. 96,737**	**100%**

* This represents the segment s revenue from sales in the respective geography as a percentage of the total segment s revenue.

During the year ended March 31, 2014, the Indian rupee depreciated by approximately 10%, 14%, and 4% against the U.S. dollar, the Euro and the Russian rouble, respectively, as compared to the year ended March 31, 2013. This change in the exchange rates resulted in higher reported revenues because of the increase in Indian rupee realization from sales in U.S. dollars, Euros and Russian roubles. However, our higher realization for the U.S. dollar was partially offset by net losses incurred on cash flow hedges undertaken by us to hedge the foreign currency risk associated with highly probable forecasted sales transactions. Accordingly, on a net basis, our realizations of U.S. dollar denominated revenues reported in Indian rupees were higher by 15% for the year ended March 31, 2014, as compared to our revenues for the year ended March 31, 2013 adjusted for losses on such cash flow hedges, on account of depreciation of the Indian rupee.

Our provision for sales returns as at March 31, 2014 was Rs.2,504 million, as compared to a provision of Rs.1,904 million as at March 31, 2013. This increase in our provision was primarily due to higher sales recorded for the year ended March 31, 2014. Consistent with our accounting policy for creating provisions for sales returns (discussed in Note 3(1) of our consolidated financial statements), we periodically assess the adequacy of our allowance for sales returns based on the criteria discussed in our Critical Accounting Policies, as well as sales returns actually processed during the year. For further information regarding our sales return provisions, see Notes 3(1) and 20 to our consolidated financial statements.

Segment analysis

Global Generics

Revenues from our Global Generics segment were Rs.105,164 million for the year ended March 31, 2014, an increase of 27% as compared to Rs.82,563 million for the year ended March 31, 2013. North America (the United States and Canada), India and our Emerging Markets (which is comprised of Russia, other countries of the former Soviet Union, and certain other countries from our Rest of the World markets, primarily South Africa, Venezuela and Australia), contributed approximately 93% of the revenues of this segment for the year ended March 31, 2014.

Table of Contents

After taking into account the favorable impact of depreciation of the Indian rupee against multiple currencies in the markets in which we operate, the foregoing increase in revenues of this segment was attributable to the following factors:

an increase of approximately 20% resulting from the introduction of new products during the year ended March 31, 2014;

an increase of approximately 3% resulting from the net impact of increases in sales prices of products; and

an increase of approximately 4% resulting from increased sales volumes of existing products;

North America (the United States and Canada): Our Global Generics segment s revenues from North America (the United States and Canada) for the year ended March 31, 2014 were Rs.55,303 million, an increase of 46% as compared to our revenues of Rs.37,846 million for the year ended March 31, 2013. In U.S. dollar absolute currency terms (i.e., U.S. dollars without taking into account the effect of currency exchange rates), this segment s revenues from such geography grew by 25% in the year ended March 31, 2014 as compared to the year ended March 31, 2013. This growth was largely attributable to the following:

Revenues from 9 new products launched in the year ended March 31, 2014. The following table sets forth, for the year ended March 31, 2014, products that we launched in the United States:

Product	Innovator s Brand	Innovator
Zoledronic acid (5mg/100ml)	Reclast®	Novartis AG
Lamotrigine Extended Release	Lamictal® XR	GlaxoSmithKline
Azacitidine	Vidaza®	Celgene Corporation
Divalproex Extended Release	Depakote® ER	GlaxoSmithKline
Donepezil 23 mg	Aricept® 23 mg	Eisai Inc.
Decitabine	Dacogen®	Eisai Inc.
Amlodipine besylate and atorvastatin calcium	Caduet®	Pfizer Inc.
Sumatriptan Auto Injector	Imitrex STATdose Pen®	Pfizer Inc.
Moxifloxacin	Avelox®	Bayer AG

Market share expansion in our existing key products, such as metoprolol succinate and atorvastatin.

During the year ended March 31, 2014, we made 13 U.S. filings, which includes one NDA filing under section 505(b)(2) and 12 ANDA filings, bringing our cumulative ANDA filings to 209. We now have 62 ANDAs pending approval at the U.S. FDA, out of which 39 are Paragraph IV filings and we believe 9 to have first to file status. We have also received a tentative approval for one of our NDAs filed under section 505(b)(2).

A significant portion of our Global Generics segment s revenue growth in North America (the United States and Canada) for the year ended March 31, 2014 was on account of sales from launches of new products.

***India*:** Our revenues from India in the year ended March 31, 2014 were Rs.15,713 million, an increase of 8% as compared to the year ended March 31, 2013. During the year ended March 31, 2014, the Government of India released drug price notifications for a majority of the 348 products listed in the National List of Essential Medicines that are subject to price controls under the Drugs (Price Control) Order, 2013. The reduced prices from these price controls adversely impacted the revenues from our India business by approximately 3% (the annualized impact is approximately 4%) for the year ended March 31, 2014.

Despite the adverse impact of the aforesaid reduction in prices, growth was largely driven by an increase in sales volumes across our key brands, as well as revenues from 11 new products launched during the year ended March 31, 2014. According to IMS Health, as per its moving annual total report for the 12 months ended March 31, 2014, our sales value grew by 12.2% for the year ended March 31, 2014. In comparison, the Indian pharmaceutical market grew by 9.9% during such period.

Bio-similar products are one of the key contributors to our revenues from India, and represented approximately 7% of our revenues from India for the year ended March 31, 2014.

***Emerging Markets*:** Our revenues from our Emerging Markets (which is comprised of Russia, other countries of the former Soviet Union, and certain other countries from our Rest of the World markets, primarily South Africa, Venezuela and Australia), for the year ended March 31, 2014 were Rs.27,178 million, an increase of 21% over the year ended March 31, 2013. The reasons for this growth are set forth below in the separate discussions of these geographies.

Table of Contents

Russia: Our revenues from Russia for the year ended March 31, 2014 were Rs.16,333 million, an increase of 16% over the year ended March 31, 2013. In Russian rouble absolute currency terms (i.e., Russian roubles without taking into account the effect of currency exchange rates), such revenues grew by 11% in the year ended March 31, 2014 as compared to the year ended March 31, 2013. The growth was largely driven by an increase in sales across our key brands (such as Nise, Omez, Ketorol, Senade and Cetrine) as well as new product launches. According to IMS Health, as per its moving annual total report for the 12 months ended March 31, 2014, our sales value and volume growths for the year ended March 31, 2014 were 7.7% and 4.1%, respectively, as compared to the Russian pharmaceutical market value growth and volume decrease of 1.9% and 5.0%, respectively. During the same period, our volume market share increased from 1.64% to 1.80%, according to IMS Health. Our sales of OTC products have grown significantly, and accounted for 34% of the total sales made by us in Russia for the year ended March 31, 2014. We intend to further increase our OTC sales by various branding and other marketing initiatives. According to IMS Health, in the year ended March 31, 2014, we have improved our rank by five positions in the OTC segment as compared to the year ended March 31, 2013. As per IMS Health s moving annual total report for the 12 months ended March 31, 2014, our OTC sales value and volume growths in Russia for the year ended March 31, 2014 were 18.8% and 16.8%, respectively, as compared to the Russian OTC pharmaceutical market value growth and volume decrease of 1.4% and 6.0%, respectively.

Other countries of the former Soviet Union: Our revenues from other countries of the former Soviet Union for the year ended March 31, 2014 were Rs.3,486 million, an increase of 22% over the year ended March 31, 2013. This growth was largely led by increased revenues resulting from higher prices from sales in Ukraine and increased sales volumes from sales in Uzbekistan, Belarus and Kazakhstan. This growth also benefitted from the depreciation of the Indian rupee against the U.S. dollar and the Ukrainian hryvnia.

Rest of the World Markets: We refer to all markets of this segment other than North America, Europe, Russia and other countries of the former Soviet Union and India as our Rest of the World markets. Our revenues from our Rest of the World markets were Rs.7,359 million in the year ended March 31, 2014, an increase of 33% as compared to the year ended March 31, 2013. The growth was largely led by increased revenues resulting from higher prices and increased sales volumes from South Africa and Venezuela, and was partially offset by the impact of devaluation of the Venezuelan bolivar from VEF 4.3 per U.S. dollar to VEF 6.3 per U.S. dollar.

Pharmaceutical Services and Active Ingredients (PSAI)

Our Pharmaceutical Services and Active Ingredients (PSAI) segment s revenues for the year ended March 31, 2014 were Rs.23,974 million, a decrease of 22% as compared to the year ended March 31, 2013. After taking into account the favorable impact of depreciation of the Indian rupee against multiple currencies in the markets in which we operate, such decrease was largely attributable to:

- decreased sales of active pharmaceutical ingredients, as some of our key customers lost market share during the year, coupled with lower sales from launch molecules (i.e., API sales to customers to support their generic product launches related to impending patent expirations) to our customers in the year ended March 31, 2014, which decreased our PSAI segment s revenues by 16%; and

- decreased customer orders in our pharmaceutical development services for certain products provided to innovator companies which decreased our PSAI segment s revenues by 6%.

In the year ended March 31, 2014, our PSAI segment filed 61 Drug Master Files (DMFs) worldwide, of which 12 were filed in the United States, 13 were filed in Europe and 36 were filed in other countries. Cumulatively, our total DMFs filed worldwide as of March 31, 2014 were 631, including 196 DMFs filed in the United States.

Gross Profit

Our total gross profit was Rs.75,801 million in the year ended March 31, 2014, representing 57.4% of our total revenues for this period, as compared to Rs.60,579 million in the year ended March 31, 2013, representing 52.1% of our total revenues for this period.

Table of Contents

The following table sets forth, for the periods indicated, our gross profit by segment:

	For the Year Ended March 31,					
	2014		2013		2012	
	Gross Profit	% of Segment Revenue	Gross Profit	% of Segment Revenue	Gross Profit	% of Segment Revenue
	(Rs. in millions)					
Global Generics	Rs.69,148	65.8%	Rs.48,721	59.0%	Rs.44,263	63.0%
Pharmaceutical Services and Active Ingredients	4,848	20.2%	9,970	32.5%	7,508	31.5%
Proprietary Products	1,606	90.3%	1,324	90.2%	903	83.7%
Others	199	15.8%	564	36.8%	631	39.3%
Total	**Rs.75,801**	**57.4%**	**Rs.60,579**	**52.1%**	**Rs.53,305**	**55.1%**

After taking into account the favorable impact of depreciation of the Indian rupee against multiple currencies in the markets in which we operate, the gross profits from our Global Generics segment increased from 59.0% in the year ended March 31, 2013 to 65.8% in the year ended March 31, 2014, on account of:

- the favorable impact of changes in our existing business mix (i.e., an increase in the proportion of sales of higher gross margin products and a decrease in the proportion of sales of lower gross margin products) primarily attributable to an increased proportion of sales from new product launches with better margins; and
- higher price realizations from existing products, primarily due to the favorable impact of the depreciation of the Indian rupee against the U.S. Dollar.

The gross profits from our PSAI segment decreased from 32.5% for the year ended March 31, 2013 to 20.2% for the year ended March 31, 2014, due to the following:

- the unfavorable impact of changes in our existing business mix (i.e., a decrease in the proportion of sales of higher gross margin products and an increase in the proportion of sales of lower gross margin products) primarily on account of lower sales from launch molecules (i.e., API sales to customers to support their generic product launches related to impending patent expirations) to our customers during the year; and
- increased pricing pressures on key products.

Selling, general and administrative expenses

Our selling, general and administrative expenses for the year ended March 31, 2014 were Rs.38,783 million, an increase of 13% as compared to Rs.34,272 million for the year ended March 31, 2013. After taking into account the

unfavorable impact of depreciation of the Indian rupee against multiple currencies in the markets in which we operate, this increase was largely attributable to the following:

- increased personnel costs, due to annual raises and new recruitments, which increased our selling, general and administrative expenses by 5.2%;

- increased sales and marketing costs, due to expenditures towards select brand building activities in Emerging Markets (which is comprised of Russia, other countries of the former Soviet Union, and certain other countries from our Rest of the World markets, primarily South Africa, Venezuela and Australia), which increased our selling, general and administrative expenses by 4.8%; and

- increased legal and professional services cost, which increased our selling, general and administrative expenses by 2.0%.

As a proportion of our total revenues, our selling, general and administrative expenses have marginally decreased from 29.5% for the year ended March 31, 2013 to 29.3% for the year ended March 31, 2014.

Research and development expenses

Our research and development expenses in the year ended March 31, 2014 were Rs.12,402 million, an increase of 62% as compared to Rs.7,674 million in the year ended March 31, 2013. This increase was in accordance with our strategy to expand our research and development efforts in complex formulations, differentiated formulations and biosimilar compounds. Our research and development expenditures accounted for 9.4% of our total revenues in the year ended March 31, 2014, as compared to 6.6% in the year ended March 31, 2013. Approximately 62% of our research and development expenses for the year ended March 31, 2014 were spent towards the development of bio-equivalent products and the other 38% was dedicated to innovative and bio-pharmaceutical research.

Table of Contents

Reversal of impairment losses

Consequent to the increase in expected cash flows of some of the products forming part of the product related intangibles pertaining to our Global Generics segment, we estimated the recoverable amount of such intangible assets and assessed that the impairment loss recorded in an earlier period should be reversed. Accordingly, a reversal of impairment loss of Rs.497 million for such product related intangibles was recorded for the year ended March 31, 2014 under Selling, general and administrative expenses in the consolidated income statement. The expected cash flows increased primarily due to various market dynamics, such as reduced competition and favorable pricing position.

Other income, net

Our net other income was Rs.1,416 million for the year ended March 31, 2014, as compared to a net other income of Rs.2,479 million for the year ended March 31, 2013. The decrease in net other income by Rs.1,063 million was largely attributable to the following:

- during March 2013, we entered into an agreement with Nordion Inc. (formerly known as MDS Inc.) to settle our ongoing litigation for alleged breach of service obligations by Nordion Inc. during the years 2000 to 2004. As part of the settlement, we received a one-time settlement amount of Rs.1,220 million (U.S.$22.5 million) from Nordion Inc., out of which Rs.108 million (U.S.$2 million) was towards reimbursement of research and development cost and was recorded as reduction in such cost. The balance of Rs.1,112 million (U.S.$20.5 million) was compensation for lost profits and was recorded as part of other income; and

- other income for the year ended March 31, 2014 includes Rs.415 million (CAD6.75 million) from the resolution of litigation associated with the sale of one of our generic products in North America.

Finance income, net

Our net finance income was Rs.400 million for the year ended March 31, 2014, as compared to net finance income of Rs.460 million for the year ended March 31, 2013. The decrease in net finance income by Rs.60 million was largely attributable to an increase in our net interest expense, which was Rs.189 million for the year ended March 31, 2014 as compared to Rs.118 million for the year ended March 31, 2013.

Profit before income taxes

As a result of the above, profit before income taxes was Rs.26,606 million for the year ended March 31, 2014, an increase of 23% as compared to Rs.21,676 million for the year ended March 31, 2013.

Income tax expense

Our consolidated weighted average tax rates for the years ended March 31, 2014 and 2013 were 19.1% and 22.6%, respectively. Income tax expense was Rs.5,094 million for the year ended March 31, 2014, as compared to income tax expense of Rs.4,900 million for the year ended March 31, 2013. The decrease in effective tax rate by 3.5% for the year ended March 31, 2014 was primarily attributable to the following:

a decrease in the effective tax rate by approximately 3.2% as a result of a favorable order from the Income Tax Appellate Tribunal, Hyderabad, India over a previously litigated tax matter;

a decrease in the effective tax rate by approximately 0.9% on account of impairment losses and reversal of impairment losses; and

a decrease in the effective tax rate by approximately 1.6% due to increased research and development expenditures which were eligible for weighted tax deduction. This decrease was largely offset by an increase in the effective tax rate on account of unrecognized deferred tax assets, primarily pertaining to OctoPlus N.V., Dr. Reddy s Laboratories New York, Inc. and Dr. Reddy s Srl.

Profit for the period

As a result of the above, our net result was a net profit of Rs.21,512 million in the year ended March 31, 2014, as compared to a net profit of Rs.16,776 million in the year ended March 31, 2013.

Table of Contents

Fiscal Year Ended March 31, 2013 Compared to Fiscal Year Ended March 31, 2012

Revenues

Our overall consolidated revenues were Rs.116,266 million for the year ended March 31, 2013, an increase of 20% as compared to Rs.96,737 million for the year ended March 31, 2012. Our revenues for the year ended March 31, 2012 included a profit share pursuant to our agreement with Teva Pharmaceutical Industries Ltd. of Rs.4,500 million, attributable to sales of olanzapine 20 mg tablets in the United States with a 180 days marketing exclusivity. Excluding this impact, revenues increased by 26% for the year ended March 31, 2013 as compared to the year ended March 31, 2012. Revenue growth for the year ended March 31, 2013 was largely driven by our Global Generics segment s operations in the United States, India and our Emerging Markets (which is comprised of Russia, other countries of the former Soviet Union, and certain other countries from our Rest of the World markets, primarily South Africa, Venezuela and Australia), as well as our Pharmaceutical Services and Active Ingredients segment s operations.

The following table sets forth, for the periods indicated, our consolidated revenues by geography:

	For the Year Ended March 31,					
	2013		2012		2011	
	Revenues	% of Total Revenue *	Revenues	% of Total Revenue *	Revenues	% of Total Revenue *
	(Rs. in millions)					
Global Generics	**Rs. 82,563**	**71%**	**Rs. 70,243**	**72%**	**Rs. 53,340**	**71%**
North America (the United States and Canada)	37,846	46%	31,889	45%	18,996	36%
Europe	7,716	9%	8,259	12%	8,431	16%
India	14,560	18%	12,931	18%	11,690	22%
Russia and other countries of the former Soviet Union	16,908	20%	13,260	19%	10,858	20%
Rest of the World	5,533	7%	3,904	6%	3,365	6%
Pharmaceutical Services and Active Ingredients	**Rs. 30,702**	**26%**	**Rs. 23,812**	**25%**	**Rs. 19,648**	**26%**
North America (the United States and Canada)	5,744	19%	4,272	18%	3,170	16%
Europe	12,007	39%	8,424	35%	7,020	36%
India	4,638	15%	3,586	15%	2,619	13%
Rest of the World	8,313	27%	7,531	32%	6,838	35%
Proprietary Products and Others	**Rs. 3,001**	**3%**	**Rs. 2,682**	**3%**	**Rs. 1,705**	**3%**
Total	**Rs. 116,266**	**100%**	**Rs. 96,737**	**100%**	**Rs. 74,693**	**100%**

* This represents the segment s revenue from sales in the respective geography as a percentage of the total segment s revenue.

During the year ended March 31, 2013, the Indian rupee depreciated by approximately 12%, 6%, and 7% against the U.S. dollar, the Euro and the Russian rouble, respectively, as compared to the year ended March 31, 2012. This change in the exchange rates resulted in higher reported revenues because of the increase in Indian rupee realization from sales in U.S. dollars, Euros and Russian roubles. However for the U.S. dollar, our higher realization was partially offset on account of net losses incurred on cash flow hedges undertaken by us to hedge the foreign currency risk associated with highly probable forecasted sales transactions. Accordingly, on a net basis, our realizations of U.S. dollar denominated revenues reported in Indian rupees were higher by 9% for the year ended March 31, 2013 on account of depreciation of the Indian rupee.

Our provision for sales returns as at March 31, 2013 was Rs.1,904 million, as compared to a provision of Rs.1,335 million as at March 31, 2012. This increase in our provision is primarily due to higher sales recorded for the year ended March 31, 2013. Consistent with our accounting policy for creating provisions for sales returns (discussed in Note 3.l. of our consolidated financial statements), we periodically assess the adequacy of our allowance for sales returns based on the criteria discussed in our Critical Accounting Policies, as well as sales returns actually processed during the year. For further information regarding our sales return provisions, see Note 20 to our consolidated financial statements.

Table of Contents

Segment analysis

Global Generics

Revenues from our Global Generics segment were Rs.82,563 million for the year ended March 31, 2013, an increase of 18% as compared to Rs.70,243 million for the year ended March 31, 2012. This segment s revenues for the year ended March 31, 2012 included a profit share pursuant to our agreement with Teva Pharmaceutical Industries Ltd. of Rs.4,500 million, attributable to sales of olanzapine 20 mg tablets in the United States subject to 180 days marketing exclusivity. Excluding this impact, revenues from our Global Generics segment increased by 26% for the year ended March 31, 2013 as compared to the year ended March 31, 2012. North America (the United States and Canada), our Emerging Markets (which is comprised of Russia, other countries of the former Soviet Union, and certain other countries from our Rest of the World markets, primarily South Africa, Venezuela and Australia) and India, contribute approximately 91% of the revenues of this segment for the year ended March 31, 2013.

Excluding the impact of profit share revenues from sales of olanzapine 20 mg, the 26% increase in revenues of this segment was attributed to the following factors: approximately 16% of the increase resulted from an increase in the sales volumes of existing products in this segment, approximately 12% of the increase resulted from the introduction of new products in this segment, offset by an approximately 2% decrease resulting from decline in sales prices (net of currency depreciation) of products in this segment.

North America (the United States and Canada): Our Global Generics segment s revenues from North America (the United States and Canada) for the year ended March 31, 2013 were Rs.37,846 million, an increase of 19% as compared to our revenues of Rs.31,889 million for the year ended March 31, 2012. In U.S. dollar absolute currency terms (i.e., U.S. dollars without taking into account the effect of currency exchange rates), this segment s revenues from such geography grew by 10% in the year ended March 31, 2013 as compared to the year ended March 31, 2012.

Excluding the impact of Olanzapine profit share revenues from Teva Pharmaceuticals Ltd. of Rs.4,500 million for the year ended March 31, 2012, the revenues from North America (the United States and Canada) for the year ended March 31, 2013 increased by 38% as compared to the year ended March 31, 2012. In U.S. dollar absolute currency terms (i.e., U.S dollars without taking into account the effect of currency exchange rates), this segment s revenues from such geography grew by 29% in the year ended March 31, 2013 as compared to the year ended March 31, 2012. This growth was largely attributable to the following:

Revenues from 14 new products launched in the year ended March 31, 2013, including the 180 days marketing exclusivity of finasteride 1 mg (our generic version of Propecia®) and clopidogrel 300 mg (our generic version of Plavix®). The following table sets forth, for the year ended March 31, 2013, products that we launched in the United States:

Product	Therapeutic Category	Innovator s Brand
Olanzapine (other than 20 mg)	Antipsychotic	Zyprexa®
Lansoprazole OTC	Gastro-intestinal	Prevacid®
Clopidogrel	Cardiovascular	Plavix®
Ropinirole hydrochloride XR	Central nervous system	Requip XL®
Atorvastatin	Cardiovascular	Lipitor®
Ibandronate sodium	Calcium regulator	Boniva®

Montelukast sodium, Montelukast sodium chewable, and Montelukast sodium oral granules	Respiratory	Singulair®
Metoprolol succinate ER	Cardiovascular	Toprol XL®
Amoxicillin (tablets, capsules and oral suspension)	Anti-infective	Amoxil®
Sildenafil	Cardiovascular	Revatio®
Finasteride	Alopecia agent	Propecia®
Desloratadine ODT	Anti-infective	Clarinex® Reditabs®
Zoledronic acid injection	Calcium regulator	Zometa®
Zenatane ™	Dermatology	Accutane®

Market share expansion in our existing key products such as ziprasidone and fondaparinux, ramp-up in our antibiotics portfolio and higher contributions by our facility in Shreveport, Louisiana, U.S.A. Our facility in Shreveport, Louisiana, U.S.A. accounted for approximately 4% of the revenue growth of this segment in North America (the United States and Canada), primarily due to a new multi-year contract signed with a customer during the previous year.

Table of Contents

During the year ended March 31, 2013, we made 19 U.S. filings, which includes one NDA filing under section 505(b)(2) and 18 ANDA filings, bringing our cumulative ANDA filings to 200. We now have 65 ANDAs pending approval at the U.S. FDA, out of which 38 are Paragraph IV filings and we believe 8 to have first to file status.

During the year ending March 31, 2014, we expect to launch a few more key products, and we remain optimistic about the long term growth opportunity in this market.

***India*:** Our revenues from India for the year ended March 31, 2013 were Rs.14,560 million, an increase of 13% as compared to the year ended March 31, 2012. This growth was driven by an increase in sales volumes across our key brands, such as Omez, Nise, Stamlo, Razo and Reditux, as well as revenues from 24 new brands launched during the year. According to IMS Health, a market research firm, as per its moving annual total report for the 12 months ended March 31, 2013, our sales value grew by 13.7%. In comparison, the Indian pharmaceutical market grew by 10.2% during such period.

Bio-similar products are one of our key growth drivers in India, and represent approximately 8% of our revenues from India in the year ended March 31, 2013.

***Emerging Markets**:* Our revenues from our Emerging Markets (which is comprised of Russia, other countries of the former Soviet Union, and certain other countries from our Rest of the World markets, primarily South Africa, Venezuela and Australia), for the year ended March 31, 2013 were Rs.22,441 million, an increase of 31% over the year ended March 31, 2012. This growth was due to the reasons set forth in the below discussions of these geographies.

***Russia**:* Our revenues from Russia for the year ended March 31, 2013 were Rs.14,048 million, an increase of 27% over the year ended March 31, 2012. In Russian rouble absolute currency terms (i.e., Russian roubles without taking into account the effect of currency exchange rates), such revenues grew by 18% in the year ended March 31, 2013 as compared to the year ended March 31, 2012. The growth was largely driven by an increase in sales across our key brands (such as Nise, Omez, Ketorol, Senade and Cetrine) as well as new product launches. According to IMS Health, a market research firm, as per its moving annual total report for the 12 months ended March 31, 2013, our sales value and volume growths for the year ended March 31, 2013 were 4.9% and 2.7%, respectively, as compared to the Russian pharmaceutical market value growth and volume decrease of 8.5% and 0.7%, respectively. During the same period, our volume market share increased from 1.65% to 1.70%. We launched 5 new brands in Russia during the year ended March 31, 2013. OTC products represented approximately 34% of our overall sales in Russia and we intend to further strengthen our OTC sales by continuous branding initiatives.

Other countries of the former Soviet Union: Our revenues from other countries of the former Soviet Union for the year ended March 31, 2013 were Rs.2,860 million, an increase of 28% over the year ended March 31, 2012. This growth was largely led by increased revenues resulting from higher prices and increased sales volumes from sales in Ukraine, Belarus and Kazakhstan, and partly benefitted by depreciation of the Indian rupee against the U.S. dollar and Ukrainian hryvnia.

Rest of the World Markets: We refer to all markets of this segment other than North America, Europe, Russia and other countries of the former Soviet Union and India as our Rest of the World markets. Our revenues from our Rest of the World markets were Rs.5,533 million in the year ended March 31, 2013, an increase of 42% as compared to the year ended March 31, 2012. The growth was largely led by increased revenues resulting from higher prices and increased sales volumes from South Africa, Australia and Venezuela, and was partially offset by the impact of devaluation of the Venezuelan bolivar.

Pharmaceutical Services and Active Ingredients (PSAI)

Our Pharmaceutical Services and Active Ingredients (PSAI) segment s revenues for the year ended March 31, 2013 were Rs.30,702 million, an increase of 29% as compared to the year ended March 31, 2012. This was largely attributable to:

- increases in the sales of active pharmaceutical ingredients to generic customers to support their generic product launches related to impending patent expirations, which increased our PSAI segment s revenues by 9%;

- a strong recovery of customer orders in our PSAI segment primarily due to increased pharmaceutical development services for certain products provided to our innovator company customers, which increased our PSAI segment s revenues by 8%; and

- the impact of depreciation of the Indian rupee against multiple currencies, which increased our PSAI segment s revenues by 12%.

In the year ended March 31, 2013, our PSAI segment filed 47 Drug Master Files (DMFs) worldwide, of which 5 were filed in the United States, 10 were filed in Europe and 32 were filed in other countries. Cumulatively, our total DMFs filed worldwide as of March 31, 2013 were 577, including 184 DMFs filed in the United States.

Table of Contents

Gross Margin

Our total gross margin was Rs.60,579 million for the year ended March 31, 2013, representing 52% of our total revenues for this period, as compared to Rs.53,305 million for the year ended March 31, 2012, representing 55% of our total revenues for this period.

The following table sets forth, for the periods indicated, our gross margin by segment:

	For the Year Ended March 31,					
	2013		2012		2011	
	Gross Margin	% of Segment Revenue	Gross Margin	% of Segment Revenue	Gross Margin	% of Segment Revenue
	(Rs. in millions)					
Global Generics	Rs.48,721	59%	Rs.44,263	63%	Rs.34,499	65%
Pharmaceutical Services and Active Ingredients	9,970	32%	7,508	32%	5,105	26%
Proprietary Products	1,324	90%	903	84%	382	72%
Others	564	37%	631	39%	277	24%
Total	**Rs.60,579**	**52%**	**Rs.53,305**	**55%**	**Rs.40,263**	**54%**

The change in gross margin was primarily on account of the following:

- the favorable impact of depreciation of the Indian rupee against multiple currencies in the markets in which we operate;
- the impact of one time profit share revenues from the sale of olanzapine 20 mg tablets in the United States for the year ended March 31, 2012, which resulted in higher gross margins for such year;
- the unfavorable impact of price erosions in some of our existing products in the United States and Germany; and
- the unfavorable impact of higher power and fuel costs in India due to an increase in tariff rates as well as imposition of certain fuel surcharge adjustments.

Adjusting for the impact of the one time profit share revenues from the sale of olanzapine 20 mg tablets in the United States for the year ended March 31, 2012 which resulted in higher gross margins for such year, the gross margin for the year ended March 31, 2013 did not change significantly as compared to the gross margin for the year ended March 31, 2012.

Selling, general and administrative expenses

Our selling, general and administrative expenses for the year ended March 31, 2013 were Rs.34,272 million, an increase of 15% as compared to Rs.29,907 million for the year ended March 31, 2012. Including the unfavorable impact of depreciation of the Indian rupee against multiple currencies in the markets in which we operate, this increase was primarily on account of the following:

- increased personnel costs, due to annual raises and new recruitments, which increased our selling, general and administrative expenses by 9%; and

- higher distribution costs, due to increases in sales volumes and freight cost increases, which increased our selling, general and administrative expenses by 3%.

Our selling, general and administrative expenses as a percentage of sales have gradually declined and were at 30% for the year ended March 31, 2013 as compared to 31% and 32% for the years ended March 31, 2012 and 2011, respectively.

Research and development expenses

Our research and development expenses for the year ended March 31, 2013 were Rs.7,674 million, an increase of 30% as compared to Rs.5,911 million for the year ended March 31, 2012. The increase in research and development expenditure was primarily due to increased spending in our innovative and bio-pharmaceutical research. Our research and development expenditures accounted for 6.6% of our total revenues for the year ended March 31, 2013, as compared to 6.1% for the year ended March 31, 2012. Approximately 60% of our research and development expenses for the year ended March 31, 2013 were spent towards the development of bio-equivalent generic products and the other 40% was dedicated to innovative and bio-pharmaceutical research.

Table of Contents

Impairment loss on goodwill and other intangible assets

Based on the business performance and expected cash flows from our business in Italy, we carried out an impairment test of Dr. Reddy s SRL s cash-generating unit and recorded an impairment loss of goodwill amounting to Rs.181 million for the year ended March 31, 2013. Further, we also recorded an impairment loss on intangibles amounting to Rs.10 million for the year ended March 31, 2013 pertaining to this cash-generating unit.

Consequent to the decline in expected cash flows of some of the products forming part of the product related intangibles pertaining to our Global Generics segment, we carried out an impairment test of such product related intangibles and recorded an impairment loss of Rs.497 million for the year ended March 31, 2013.

The above impairment losses were recorded under Selling, general and administrative expenses in the consolidated income statement.

Other income, net

In the year ended March 31, 2013, our net other income was Rs.2,479 million as compared to the net other income of Rs.765 million in the year ended March 31, 2012. The increase was primarily on account of the following:

- In March 2013, we entered into an agreement with Nordion Inc. (formerly known as MDS Inc.) to settle our ongoing litigation for alleged breach of service obligations by Nordion Inc. during the years 2000 to 2004. As part of the settlement, we received a one-time settlement amount of Rs.1,220 million (U.S.$22.5 million) from Nordion Inc., out of which Rs.108 million (U.S.$2 million) was towards reimbursement of research and development cost and was recorded as reduction in such cost. The balance of Rs.1,112 million (U.S.$20.5 million) was compensation for lost profits and was recorded as part of other income; and

- a net increase in sales of spent chemicals by Rs.208 million.

Finance income, net

Net finance income was Rs.460 million for the year ended March 31, 2013, as compared to net finance income of Rs.160 million for the year ended March 31, 2012. The change was primarily on account of the following:

- our net foreign exchange gain was Rs.365 million for the year ended March 31, 2013, as compared to a net foreign exchange gain of Rs.689 million for the year ended March 31, 2012;

- our net interest expense was Rs.118 million for the year ended March 31, 2013, as compared to net interest expense of Rs.690 million for the year ended March 31, 2012 primarily due to increased interest income on our higher term deposits; and

- our dividend and profit on sale of investments was Rs.213 million for the year ended March 31, 2013, as compared to Rs.161 million for the year ended March 31, 2012.

Profit before income taxes

As a result of the above, profit before income taxes was Rs.21,676 million for the year ended March 31, 2013, an increase of 17% as compared to Rs.18,466 million for the year ended March 31, 2012.

Income tax expense

Income tax expense was Rs.4,900 million for the year ended March 31, 2013, as compared to income tax expense of Rs.4,204 million for the year ended March 31, 2012.

Our consolidated effective tax rate was 22.6% for the year ended March 31, 2013, as compared to a consolidated effective tax rate of 22.8% for the year ended March 31, 2012.

Profit for the period

As a result of the above, our net result was a net profit of Rs.16,776 million for the year ended March 31, 2013, as compared to a net profit of Rs.14,262 million for the year ended March 31, 2012.

Table of Contents

5.B. ***Liquidity and capital resources***

Liquidity

We have primarily financed our operations through cash flows generated from operations and a mix of long-term and short-term borrowings. Our principal liquidity and capital needs are for making investments, the purchase of property, plant and equipment, regular business operations and research and development.

Our principal sources of short-term liquidity are internally generated funds and short-term borrowings, which we believe are sufficient to meet our working capital requirements. We borrowed U.S.$220 million during the year ended March 31, 2012, which is to be repaid in eight quarterly installments beginning December 2014. Further, we also borrowed U.S.$150 million during the year ended March 31, 2014, which is to be repaid in five quarterly installments beginning February 2018. These loans were borrowed primarily to repay some of our then existing short term borrowings and to meet anticipated capital expenditure over the near term. As part of our growth strategy, we continue to review opportunities to acquire companies, complementary technologies or product rights.

The following table summarizes our statements of cash flows for the periods presented:

	Year Ended March 31,		
	2015	**2014**	**2013**
		(Rs. in millions)	
Net cash provided by/(used in):			
Operating activities	Rs. 25,033	Rs. 19,463	Rs. 13,317
Investing activities	(22,904)	(16,620)	(13,944)
Financing activities	(4,118)	(217)	(1,792)
Net increase/(decrease) in cash and cash equivalents	(1,989)	2,626	(2,419)
Effect of exchange rate changes on cash	(1,068)	771	94

In addition to cash, inventory and our balance of accounts receivable, our unused sources of liquidity included Rs.10,438 million in available credit under revolving credit facilities with banks as of March 31, 2015. We had no other material unused sources of liquidity as of March 31, 2015.

Cash Flow from Operating Activities

The net result of our operating activities was a cash inflow of Rs.25,033 million for the year ended March 31, 2015, as compared to a cash inflow of Rs.19,463 million for the year ended March 31, 2014.

For the year ended March 31, 2015, our earnings before interest expense/income, profit/loss on sale of investments, tax expense, impairment loss/reversal of impairment loss, depreciation and amortization (Adjusted EBITDA) was Rs.36,168 million, out of which Rs.15,040 million was used towards increased working capital requirements. Such increase in working capital requirements primarily resulted from an increase in our trade receivables by Rs.10,905 million and an increase in our inventories by Rs.5,447 million. The increase in our trade receivables was primarily due to an increase in the proportion of sales made to customers with longer credit periods in the United States. The increase in our inventories was primarily to support the increased sales of our existing products as well as launches of new products.

The net result of our operating activities was a cash inflow of Rs.19,463 million for the year ended March 31, 2014, as compared to a cash inflow of Rs.13,317 million for the year ended March 31, 2013.

The net cash provided by our operating activities increased by Rs.6,146 million for the year ended March 31, 2014, as compared to the year ended March 31, 2013. This increase was primarily due to our improved business performance for the year ended March 31, 2014, resulting in Adjusted EBITDA of Rs.33,187 million, as compared to Rs.27,818 million for the year ended March 31, 2013. Our business growth for the year ended March 31, 2014 was mainly attributable to launches of new products in the United States.

Our days sales outstanding (DSO) as at March 31, 2015, December 31, 2014, March 31, 2014 and March 31, 2013, computed based on the sales for the three months ended March 31, 2015, December 31, 2014, March 31, 2014 and March 31, 2013, were 95 days, 96 days, 86 days and 86 days, respectively. The increase in our DSO was primarily due to an increase in the proportion of sales made to customers with longer credit periods in the United States.

Table of Contents

Cash Flow from Investing Activities

Our net cash used in investing activities for the year ended March 31, 2015 was Rs.22,904 million, as compared to Rs.16,620 million for the year ended March 31, 2014.

Our net cash used in investing activities increased for the year ended March 31, 2015, as compared to the year ended March 31, 2014, by Rs.6,284 million primarily due to the following reasons:

- our net investments in mutual funds and time deposits having an original maturity of more than three months increased by Rs.1,200 million for the year ended March 31, 2015 as compared to the year ended March 31, 2014; and

- our payment of Rs.5,097 million for the acquisition from Novartis Consumer Health Inc. of the title and rights to its Habitrol® brand (an over-the-counter nicotine replacement therapy transdermal patch) and related U.S. marketing rights during the year ended March 31, 2015.

Our net cash used in investing activities for the year ended March 31, 2014 was Rs.16,620 million, as compared to Rs.13,944 million for the year ended March 31, 2013.

Our net cash used in investing activities increased for the year ended March 31, 2014, as compared to the year ended March 31, 2013, by Rs.2,676 million primarily due to the following reasons:

- our net investments in mutual funds and time deposits having an original maturity of more than three months increased by Rs.1,062 million for the year ended March 31, 2014 as compared to the year ended March 31, 2013; and

- an increase in the amount spent on property, plant and equipment by Rs.3,411 million for the year ended March 31, 2014, as compared to the year ended March 31, 2013. The amount spent on property, plant and equipment for the year ended March 31, 2014 includes Rs.1,150 million (excluding taxes and duties) spent on property, plant and equipment acquired from Ecologic Chemicals Limited (Refer to Note 31 in our consolidated financial statements for further details).

The above increases in cash outflow towards investing activities for the year ended March 31, 2014 were partially offset by the impact of Rs.1,746 million of cash outflow for the year ended March 31, 2013 on account of the acquisition of OctoPlus N.V.

Cash Flows from Financing Activities

Our net cash outflows from financing activities were Rs.4,118 million for the year ended March 31, 2015, as compared to Rs.217 million for the year ended March 31, 2014.

During the year ended March 31, 2015, we had a cash inflow on account of net short term borrowings proceeds of Rs.4,068 million, repayment of two installments amounting to Rs.3,452 million (U.S.$55 million) due under the loan agreement by our Swiss subsidiary and payment of dividends (including corporate dividend tax) of Rs.3,587 million.

During the year ended March 31, 2014, we redeemed our 9.25% unsecured, non-convertible, redeemable debentures (sometimes referred to as our bonus debentures) for an aggregate payment of Rs.5,078 million, representing their face value, and we borrowed Rs.9,391 million (U.S.$150 million) pursuant to a long term loan arrangement for the purpose of our ongoing capital investments and paid dividend (including corporate dividend tax) of Rs.2,985 million.

Our net cash outflows from financing activities were Rs.217 million for the year ended March 31, 2014, as compared to Rs.1,792 million for the year ended March 31, 2013. The primary reasons for this decrease are as follows:

- we redeemed our 9.25% unsecured, non-convertible, redeemable debentures (sometimes referred to as our bonus debentures) for an aggregate payment of Rs.5,078 million, representing their face value, during the year ended March 31, 2014;

- we borrowed Rs.9,391 million (U.S.$150 million) pursuant to a long term loan arrangement for the purpose of our ongoing capital investments during the year ended March 31, 2014 (Refer to Note 17 to our consolidated financial statements for further details); and

Table of Contents

we had a cash outflow on account of net short term borrowings repayments of Rs.858 million for the year ended March 31, 2014. In comparison, we had cash inflow from net short term borrowing proceeds of Rs.2,329 million for the year ended March 31, 2013, which was primarily drawn for our working capital needs.

Principal obligations

The following table summarizes our principal debt obligations (excluding capital lease obligations) outstanding as of March 31, 2015:

		Payments due by period		
Financial Contractual Obligations	**Total**	**Less than 1 year**	**1-5 years**	**More than 5 years**
		(Rs. in millions)		
Short-term borrowings from banks	Rs. 21,857	Rs. 21,857	Rs.	Rs.
Long term debt in foreign currency	20,427	6,875	13,552	
Total obligations	Rs. 42,284	Rs. 28,732	Rs. 13,552	Rs.

Annual rate of interest

Short term borrowings

	As at March 31, 2015				
	Outstanding balance	Currency	Interest rate	Average amount outstanding	Maximum amount outstanding
			(All amounts in Rs. millions)		
Packing credit borrowings	Rs. 20,857	USD	LIBOR + 10 to 40 bps	Rs. 12,878	Rs. 21,220
		EURO	LIBOR + 7.5 to 20 bps		
		RUB	9.80% to 22.30%		
Other foreign currency borrowings				4,049	5,941
Other rupee borrowings	1,000	INR	10%	1,000	1,000

	As at March 31, 2014				
	Outstanding balance	Currency	Interest rate	Average amount outstanding	Maximum amount outstanding
			(All amounts in Rs. millions)		
Packing credit borrowings	Rs. 17,630	USD	LIBOR + 25 to 85 bps	Rs. 15,462	Rs. 18,352
		EURO	LIBOR + 20 bps		
		RUB	Mosprime + 60 bps		
		RUB	7.20% to 7.75%		
		INR	9.50% to 10%		

Borrowings on transfer of receivables		RUB	7.30% to 7.65%	376	1,566
Other foreign currency borrowings	2,977	EURO	LIBOR + 90 bps	5,316	8,494

In the above table, Mosprime means the Moscow Prime Offered Rate.

Table of Contents

The maturities of our short-term borrowings from banks vary from one month to twelve months. Our objective in determining the borrowing maturity is to ensure a balance between flexibility, cost and the continuing availability of funds.

Long term borrowings

	As at March 31,			
	2015		2014	
	Currency	Interest Rate	Currency	Interest Rate
Foreign currency borrowings	USD	LIBOR + 100 to 125 bps	USD	LIBOR + 100 to 179 bps
	GBP	LIBOR + 130 bps	GBP	LIBOR + 130 bps

Subject to obtaining certain regulatory approvals, there are no legal or economic restrictions on the transfer of funds between us and our subsidiaries or for the transfer of funds in the form of cash dividends, loans or advances. However, transfers of funds from Venezuela are subject to certain exchange control regulations. Refer to Note 39 of our consolidated financial statements.

Cash and cash equivalents are primarily held in Indian rupees, U.S. dollars, U.K. pounds sterling, Euros, Russian roubles, Venezuela bolivars and Swiss francs.

As of March 31, 2015 and 2014, we had committed to spend Rs.4,173 million and Rs.2,920 million, respectively, under agreements to purchase property, plant and equipment. This amount is net of capital advances paid in respect of such purchases. These commitments will be funded through the cash flows generated from operations as well as cash flows from our long term borrowings.

Table of Contents

5.C. ***Research and development, patents and licenses, etc.***

Research and Development

Our research and development activities can be classified into several categories, which run parallel to the activities in our principal areas of operations:

Global Generics, where our research and development activities are directed at the development of product formulations, process validation, bioequivalence testing and other data needed to prepare a growing list of drugs that are equivalent to numerous brand name products for sale in the highly regulated markets of the United States and Europe as well as emerging markets. Global Generics also includes our biologics business, where research and development activities are directed at the development of biologics products for the emerging as well as highly regulated markets. Our new biologics research and development facility caters to the highest development standards, including cGMP, Good Laboratory Practices and bio-safety level IIA.

Pharmaceutical Services and Active Ingredients, where our research and development activities concentrate on development of chemical processes for the synthesis of active pharmaceutical ingredients and intermediates (API) for use in our Global Generics segment and for sales in the emerging and developed markets to third parties. Our research and development activities also support our custom pharmaceutical line of business, where we continue to leverage the strength of our process chemistry and finished dosage development expertise to target innovator as well as emerging pharmaceutical companies. The research and development is directed toward providing services to support the entire pharmaceutical value chain, from discovery all the way to the market.

Proprietary Products, where we are actively pursuing discovery and development of differentiated formulations and new molecules, sometimes referred to as a new chemical entity or NCE . Our business model focuses on building a pipeline in neurology and dermatology.

In the years ended March 31, 2015, 2014 and 2013, we expended Rs.17,449 million, Rs.12,402 million and Rs.7,674 million, respectively, on research and development activities. The increase in research and development expenditure was in line with our strategy to expand our research and development efforts in complex formulations, differentiated formulations and bio-similar compounds.

Patents, Trademarks and Licenses

We have filed and been issued numerous patents in our principal areas of operations: Global Generics, Pharmaceutical Services and Active Ingredients and Proprietary Products. We expect to continue to file patent applications seeking to protect our innovations and novel processes in several countries, including the United States. Any existing or future patents issued to or licensed by us may not provide us with any competitive advantages for our products or may even be challenged, invalidated or circumvented by our competitors. In addition, such patent rights may not prevent our competitors from developing, using or commercializing products that are similar or functionally equivalent to our products. As of March 31, 2015, we had registered more than 1,223 trademarks with the Registrar of Trademarks in India. We have also filed registration applications for non-U.S. trademarks in other countries in which we do business. We market several products under licenses in several countries where we operate.

5.D. ***Trend Information***

Please see Item 5: Operating and Financial Review and Prospects and Item 4. Information on the Company for trend information.

5.E. ***Off-balance sheet arrangements***

None.

Table of Contents

5.F. ***Tabular Disclosure of Contractual Obligations***

The following summarizes our contractual obligations as of March 31, 2015 and the effect such obligations are expected to have on our liquidity and cash flows in future periods.

		Payments due by period (Rs. in millions)			
Contractual Obligations	**Total**	**Less than 1 year**	**2-3 years**	**4-5 years**	**More than 5 years**
Operating lease obligations	Rs. 2,495	Rs. 384	Rs. 690	Rs. 569	Rs. 852
Capital lease obligations	862	87	171	92	512
Purchase obligations					
Agreements to purchase property and equipment and other capital commitments[1]	4,173	4,173			
Short term debt obligations	21,857	21,857			
Long term debt obligations	20,427	6,875	6,052	7,500	
Estimated interest payable on long-term debt [2]	584	242	289	53	
Post retirement benefits obligations [3]	2,398	163	362	459	1,414
Total contractual obligations	**Rs. 52,796**	**Rs. 33,781**	**Rs. 7,564**	**Rs. 8,673**	**Rs. 2,778**

(1) These amounts are net of capital advances paid in respect of such purchases and are expected to be funded from internally generated funds and proceeds from long term borrowings.

(2) Disclosure of estimated interest payments for future periods is only with respect to our long term debt obligations, as the projected interest payments with respect to our short term borrowings and other obligations cannot be reasonably estimated because they are subject to fluctuation in actual utilization of borrowings depending on our daily funding requirements. The estimated interest costs are based on March 31, 2015 applicable benchmark rates and are subject to fluctuation in the future.

(3) Post-retirement benefits obligations in the More than 5 years column are estimated for a maximum of 10 years.

5.G. ***Safe harbor***

See page 3 under heading Forward-Looking and Cautionary Statement .

Table of Contents

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6. A. *Directors and senior management*

The list of our directors and executive officers and their respective age and position as of March 31, 2015 was as follows:

Directors Name[1]	Age (in yrs.)	Position
Mr. Satish Reddy[2][3][5]	48	Chairman
Mr. G.V. Prasad [2][4][5]	55	Co-Chairman, Managing Director and Chief Executive Officer
Mr. Anupam Puri	69	Director
Dr. J.P. Moreau	67	Director
Ms. Kalpana Morparia	66	Director
Dr. Omkar Goswami	58	Director
Mr. Ravi Bhoothalingam	69	Director
Dr. Bruce L.A. Carter	71	Director
Dr. Ashok S. Ganguly	80	Director
Mr. Sridar Iyengar	67	Director

(1) Except for Mr. Satish Reddy and Mr. G.V. Prasad, all of the directors are independent directors under the corporate governance rules of the New York Stock Exchange.
(2) Full-time director.
(3) Brother-in-law of Mr. G.V. Prasad.
(4) Brother-in-law of Mr. Satish Reddy.
(5) Effective May 2014, G.V. Prasad s position and title changed to Co-Chairman, Managing Director and Chief Executive Officer and Satish Reddy s position and title changed to Chairman of the Board.

Executive Officers

Our policy is to classify our officers as executive officers if they have membership on our Management Council. Our Management Council consists of various business and functional heads and is our senior management organization. As of March 31, 2015, the Management Council consisted of:

Name and Designation	Education/Degrees Held	Age	Experience in years	Date of commencement of employment	Particulars of last employment
Satish Reddy[1] [3] Chairman	B. Tech., M.S. (Medicinal Chemistry)	48	23	January 18, 1993	Director, Globe Organics Limited
G.V. Prasad[2] [3]	B. E. (Chem. Eng.),	55	31	June 30, 1990	

Co-Chairman, Managing Director and Chief Executive Officer	M.S. (Indl. Admn.)				Promoter Director, Benzex Labs Private Limited
Abhijit Mukherjee [3] Chief Operating Officer	B. Tech. (Chem.)	57	35	January 15, 2003	President, Atul Limited
Alok Sonig Senior Vice President and Head-India Business (Generics)	B.E., MBA	43	21	June 11, 2012	Vice President and Head of Global Commercial Excellence, Strategy and Business Model Innovation, Bristol Myers Squibb
Dr. Amit Biswas Executive Vice President-Integrated Product Development Organization	B. Tech. (Chem.), Masters (Polymer Science), Ph.D.	55	26	July 12, 2011	Senior Vice President, Reliance Industries Limited
Dr. Cartikeya Reddy Executive Vice President and Head-Biologics	B. Tech, M.S., Ph.D.	45	24	July 20, 2004	Senior Engineer, Genetech Inc.

Table of Contents

Name and Designation	Education/Degrees Held	Age	Experience in years	Date of commencement of employment	Particulars of last employment
Dr. KVS Ram Rao Sr. Vice President and Business Head-Active Pharmaceutical Ingredients (API) and Custom Pharmaceutical Services (CPS)	B.Tech., M.E., Ph. D.	52	22	April 3, 2000	Head of Technical Services, Jubilant Life Sciences
M.V. Ramana Executive Vice President -Emerging Markets	MBA	47	22	October 15, 1992	
Dr. Raghav Chari Executive Vice President-Proprietary Products	M.S. (Physics), Ph.D.	45	18	September 25, 2006	Head Corporate Strategy, NPS Pharmaceuticals Limited
Dr. S. Chandrasekhar President and Global Head of Human Resources	MBA., Ph.D.	58	31	August 12, 2013	Vice President and Head of Human Resources, IBM India.
Samiran Das Executive Vice President and Head- Global Manufacturing Operations-Formulations TechOps (FTO) and Chemical TechOps (CTO)	B. Tech (Mechanical.)	55	33	June 15, 2011	Executive Director, PepsiCo India.
Saumen Chakraborty President, Chief Financial Officer and Global Head of Information Technology and Business Process Excellence	B.Sc. (H), PGDM, MBA (IIM)	54	31	July 2, 2001	Vice President, Tecumseh Products India Private Limited
Umang Vohra Executive Vice President and Head-North America Generics	B.E., MBA	44	20	February 18, 2002	Manager, PepsiCo India

(1) Brother-in-law of Mr. G.V. Prasad.

(2) Brother-in-law of Mr. Satish Reddy

(3) Effective May 2014, G.V. Prasad s position and title changed to Co-Chairman, Managing Director and Chief Executive Officer, Satish Reddy s position and title changed to Chairman of the Board and Abhijit Mukherjee s position and title changed to Chief Operating Officer.

There was no arrangement or understanding with major shareholders, customers, suppliers or others pursuant to which any director or executive officer referred to above was selected as a director or member of our Management Council.

Biographies Directors

Mr. Satish Reddy is a member of our Board of Directors and serves as our Chairman of the Board. Prior to May 2014, he held the titles of Vice Chairman and Managing Director. He has a Master of Science degree in Medicinal Chemistry from Purdue University, Indiana in the United States of America and a Bachelor of Technology degree in Chemical Engineering from Osmania University, Hyderabad. He was a member of the Drugs Technical Advisory Board of India, the Chairman of the Andhra Pradesh Chapter of the Confederation of Indian Industries (CII) and head of its National Committee on Pharmaceuticals. He is President of the Indian Pharmaceutical Alliance, a premier industry association of leading research-based Indian companies. In May 2015, the Ministry of Labour and Employment, Government of India, nominated Mr. Reddy as Chairman of the Board of Governors of the National Safety Council. In addition to positions held in our subsidiaries and joint ventures, he is also a Director of Green Park Hotels and Resorts Limited, Dr. Reddy s Holdings Limited, Araku Originals Limited, Stamlo Hotels Limited, Dr. Reddy s Research Foundation, Dr. Reddy s Institute of Life Sciences, Young President s Organisation Hyderabad Chapter, Molecular Connections Private Limited, Dr. Reddy s Trust Services Private Limited, Satish Reddy Estates Private Limited, Quin Estates Private Limited, KAR Therapeutics & Estates Private Limited, Cipro Estates Private Limited, KAR Holdings (Singapore) Private Limited, Singapore, KAREUS Therapeutics (Singapore) Private Limited, Singapore and KAREUS Therapeutics, SA, Switzerland.

Table of Contents

Mr. G.V. Prasad is a member of our Board of Directors and serves as our Co-Chairman, Managing Director and Chief Executive Officer. Prior to May 2014, he held the titles of Chairman and Chief Executive Officer. He was the Managing Director of Cheminor Drugs Limited prior to its merger with us. He has a Bachelor of Engineering 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. Mr. Prasad was recognized as 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. In addition to positions held in our subsidiaries and joint ventures, he is a Director of Green Park Hotels and Resorts Limited, Stamlo Hotels Limited, Dr. Reddy s Holdings Limited, Dr. Reddy s Institute of Life Sciences, Dr. Reddy s Research Foundation, Molecular Connections Private Limited, Vijaya Productions Private Limited, Dr. Reddy s Trust Services Private Limited, Indian School of Business and Acumen Fund in the United States of America. He also serves as a member of the Board of Governors of the Indian Institute of Technology, Hyderabad.

Mr. Anupam Puri has been a member of our Board of Directors since 2002. He retired from McKinsey and Company in late 2000. He was a Director and played a variety of other leadership roles during his 30-year career there. Before joining McKinsey and Company, he was Advisor for Industrial Development to the President of Algeria, and consultant to General Electric s Center for Advanced Studies. He holds a Bachelor of Arts degree in Economics from St. Stephen s College, Delhi University, and Master of Arts and M. Phil. degrees from Oxford University. He is also on the Board of Directors of Mahindra and Mahindra Limited, Tech Mahindra Limited, Mumbai Mantra Media Limited and our wholly owned subsidiary Dr. Reddy s Laboratories Inc. in the United States of America.

Dr. Omkar Goswami has been a member of our Board of Directors since 2000. He is a founder and Chairman of CERG Advisory Private Limited, a corporate advisory and economic research and consulting company. He was a senior consultant and chief economist at the Confederation of Indian Industry for six years. He has also served as editor of Business India, associate professor at the Indian Statistical Institute, Delhi, and as an honorary advisor to the Ministry of Finance. He holds a Bachelor of Economics degree from St. Xavier s College, Calcutta University, a Master of Economics degree from the Delhi School of Economics, Delhi University and a Ph.D. degree from Oxford University. He is also a Director on the Boards of Crompton Greaves Limited, IDFC Limited, Ambuja Cements Limited, Godrej Consumer Products Limited, Cairn India Limited, Infosys BPO Limited, Bajaj Finance Limited, Max Healthcare Institute Limited, IDFC Financial Holding Company Limited, Hindustan Construction Company Limited and DSP Black Rock Investment Managers Private Limited.

Mr. Ravi Bhoothalingam has been a member of our Board of Directors since 2000. He has served as the President of The Oberoi Group and was responsible for its worldwide operations. He has also served as the Head of Personnel at BAT Plc, Managing Director of VST Industries Limited, and as a Director of ITC Limited. He holds a Bachelor of Science degree in Physics from St. Stephens College, Delhi and a Master of Experimental Psychology degree from Gonville and Caius College, Cambridge University. He is also a Director on the Board of Sona Koyo Steering Systems Limited.

Dr. J.P. Moreau joined our Board as a member on May 18, 2007. In October 1976, Dr. Moreau founded Biomeasure Incorporated, based near Boston, Massachusetts, and was its President and Chief Executive Officer. Prior to that, he worked as Executive Vice-President and Chief Scientific Officer of the IPSEN Group where he was responsible for the Group s research and development programs in Paris, London, Barcelona and Boston. He was a Vice-President, Research of IPSEN Group from April 1994, and had been a member of its Executive Committee. Dr. Moreau has a degree in chemistry from the University of Orléans and a D. Sc. in biochemistry. He has also conducted post-doctorate research at the École polytechnique. He has published over 50 articles in scientific journals and is named as an inventor or co-inventor in more than 30 patents. He is a regular speaker at scientific conferences and a member of Nitto Denko Scientific Advisory Board. Dr. Moreau was also responsible for establishing Kinerton Ltd. in Ireland in March 1989, a wholesale manufacturer of therapeutic peptides. He is also a Director on the Board of Mulleris

Therapeutics Inc. and ProteoThera Inc. in the United States of America.

Ms. Kalpana Morparia joined our Board as a member on June 5, 2007. Ms. Morparia is Chief Executive Officer of J.P. Morgan India. Ms. Morparia leads the Business Groups (Investment Banking, Asset Management, Treasury Services and Principal Investment Management) and Service Groups (Global Research, Finance, Technology and Operations) in India. Ms. Morparia is a member of J.P. Morgan s global strategy team headquartered in New York, and is one of the key drivers of J.P. Morgan s international expansion initiative. Prior to becoming Chief Executive Officer of J.P. Morgan India, Ms. Morparia served as Vice Chair on the Board of ICICI Group. She was a Joint Managing Director of ICICI Group from 2001 to 2007. Ms. Morparia has also served as Chief Strategy and Communications Officer ICICI Group. Ms. Morparia had been with the ICICI Group since 1975. A graduate in law from Bombay University, Ms. Morparia has served on several committees constituted by the Government of India. Ms. Morparia was named one of The 50 Most Powerful Women in International Business by Fortune magazine in 2008 and one of the 25 most powerful women in Indian business by Business Today, a leading Indian business journal, in the years 2004, 2005, 2006 and 2008. Ms. Morparia was also named one of the The 100 Most Powerful Women by Forbes Magazine in 2006. She also serves on the Board of Bennett, Coleman and Co. Limited,

Table of Contents

Hindustan Unilever Limited, J.P. Morgan Services India Private Limited, J.P. Morgan Asset Management India Private Limited and Philip Morris International Inc. in the United States of America. She also serves as a member on the Board of Governors of Bharati Foundation.

Dr. Bruce L.A. Carter joined our Board as a member on July 21, 2008. Dr. Carter was the Chairman of the Board and the former Chief Executive Officer of ZymoGenetics, Inc. in Seattle, Washington, in the United States of America. Dr. Carter was appointed as Chairman of the Board of ZymoGenetics in April 2005. From April, 1998 to January, 2009, he served as Chief Executive Officer of ZymoGenetics. Dr. Carter first joined ZymoGenetics in 1986 as Vice President of Research and Development. In 1988, Novo Nordisk acquired ZymoGenetics and, in 1994, Dr. Carter was promoted to Corporate Executive Vice President and Chief Scientific Officer for Novo Nordisk A/S, the then parent company of ZymoGenetics. Dr. Carter led the negotiations that established ZymoGenetics as an independent company from Novo Nordisk in 2000. Dr. Carter held various positions of increasing responsibility at G.D. Searle and Co., Ltd. from 1982 to 1986 and was a Lecturer at Trinity College, University of Dublin from 1975 to 1982. 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. Dr. Carter is also on the Board of Directors of TB Alliance, New York Xencor Inc., Regulus Inc., and Enanta Pharmaceutical Inc. in the United States of America and our wholly-owned subsidiary Aurigene Discovery Technologies Limited.

Dr. Ashok S. Ganguly joined our Board as a member on October 23, 2009. Dr. Ashok Ganguly is the Chairman of ABP Private Ltd. (formerly Ananda Bazar Patrika Group), and was a Director on the Central Board of the Reserve Bank of India from 2001 to 2009. Dr. Ganguly s principal professional career spanned 35 years with Unilever Plc/NV. He was the Chairman of Hindustan Lever Ltd. from 1980 to 1990 and a member of the Unilever Board of Directors from 1990 to 1997 with responsibility for world-wide research and technology. He is a former member of the Board of British Airways Plc (1996-2005). He has served on several public bodies, the principal among them being as a member of the Science Advisory Council to the Prime Minister of India (1985-1989) and the U.K. Advisory Board of Research Councils (1991-1994). Currently, he is a member of the Prime Minister s Council on Trade and Industry, Investment Commission and the India-U.S.A. CEO Council, set up by the Prime Minister of India and the President of the United States of America. He is also a member of the National Knowledge Commission to the Prime Minister. He is a recipient of the Padma Bhushan as well as the Padma Vibhushan , two of India s prestigious civilian honors. At present he serves as a member of the Rajya Sabha, the upper house of the Parliament of India. Dr. Ganguly also serves as a Director of Wipro Limited, ABP Private Limited and Vidhi Centre for Legal Policy. He also serves as a member on the Advisory Board of Diageo India Private Limited.

Mr. Sridar Iyengar joined our Board as a member on August 22, 2011. Mr. Sridar Iyengar is an independent mentor investor in early stage start- up companies. For more than 35 years, he has worked in the United Kingdom, the United States and India with a large number of companies, advising them on strategy and other issues. Mr. Iyengar is the former President of Foundation for Democratic Reforms in India, a U.S. based non-profit organization. He is also an advisor to several venture and private equity funds in India. Earlier, he was a senior partner with KPMG in the United States and the United Kingdom and served for 3 years as the Chairman and CEO of KPMG s operations in India. Mr. Iyengar holds a Bachelor of Commerce (Hons.) degree from Calcutta University and he is a Fellow of the Institute of Chartered Accountants in England and Wales. Mr. Iyengar is also on the Board of Directors of ICICI Venture Funds Management Company Limited, Rediff.com India Limited, Mahindra Holidays and Resorts India Limited, CL Educate Limited, Cleartrip Private Limited, AverQ Inc., Rediff Holdings Inc. in the United States of America, Cleartrip Inc. in the Cayman Islands, IYogi Limited in Mauritius and our wholly owned subsidiary Dr. Reddy s Laboratories S.A. in Switzerland. He is also a member of the governing board of Janaagraha Center for Citizenship and Democracy.

Biographies Executive Officers

Mr. Abhijit Mukherjee is the Chief Operating Officer of our company and head of our Global Generics and Pharmaceutical Services and Active Ingredients (PSAI) businesses. Before joining us, he worked with Atul Limited for 10 years, where he held numerous positions of increasing responsibility. In his last assignment there he was President, Bulk Chemicals and Intermediates Business, and Managing Director, Atul Products Limited. He started his career as a management trainee in Hindustan Lever Limited (HLL) and worked at that company for 13 years, including three years in a Unilever company. He was primarily involved in technical assignments in the aroma chemicals business in HLL and Unilever and also in detergents and sulphonation plants of HLL. He holds a degree in Chemical Engineering from the Indian Institute of Technology in Kharagpur, India.

Mr. Alok Sonig is the Senior Vice President-Generics and head of our India formulations business. He joined us in June 2012 and has over 21 years of experience in healthcare, technology and consumer marketing. Prior to joining us, he worked with Bristol Myers Squibb in Princeton, New Jersey, U.S.A., as Vice President and Head of Global Commercial Excellence, Strategy and Business Model Innovation. Mr. Sonig holds a Bachelor s of Engineering from Punjab Engineering College in India and an MBA from American University, Washington, D.C.

Table of Contents

Dr. Amit Biswas is the Executive Vice President Integrated Product Development (IPDO). He joined us on July 12, 2011 and has 26 years of diverse and rich international experience, spanning academic and industrial research, product development, technical service and management of research and technology in the areas of commodity plastics, engineering polymers, high performance fibers, industrial/automotive coatings and alternate energy technologies. Prior to joining us, he worked with Reliance Industries Limited as Senior Vice President, Technology Services and Emerging Technologies-Reliance Technology Group and was responsible for design and implementation of Research and Technology Management processes, Business Transformation and Change Management, and interfacing with private/public institutions on Alternate Energy Technologies. He is a Master Black Belt in Six Sigma (GE Certification). Recently, he was made an Adjunct Professor at the Centre for Research in Nano-technology and Science at the Indian Institute of Technology in Bombay, India. He has 44 international publications, 3 book chapters and 4 patents. He holds a Ph.D. and Masters in Polymer Science from Case Western Reserve University, Ohio, U.S.A. and a Bachelor of Technology in Chemical Engineering from the Indian Institute of Technology, Bombay, India.

Dr. Cartikeya Reddy is the Executive Vice President and head of our Biologics division, which focuses on the development of biosimilar molecules for the Indian and global markets. Prior to joining us in 2004, Mr. Reddy worked with Genentech Inc., where he was a Group Leader in the area of Cell Culture Process Development. Before that, he was with the Biotechnology Division of Bayer Corporation, where he successfully led teams in the areas of Bioprocess Development and pilot scale manufacturing. Mr. Reddy holds a Master of Science degree and Ph.D. in Chemical Engineering from the University of Illinois, Urbana-Champaign, and was a Visiting Scholar at the Massachusetts Institute of Technology in Cambridge, Massachusetts, United States of America. He also graduated with a Bachelor of Technology degree in Chemical Engineering from the Indian Institute of Technology in Chennai, India.

Dr. KVS Ram Rao is the Senior Vice President and Head-Active Pharmaceutical Ingredients (API) and Custom Pharmaceutical Services (CPS). He joined us in 2000 and has over 22 years of experience in New Product Development-API and Global Oncology. In his current role, he is responsible for our PSAI commercial organization managing sales, strategy, business development and new product management. Prior to joining us, Dr. Ram Rao worked at Jubilant Life Sciences where he headed the Technical Services Division and Gujarat Heavy Chemicals Limited where he was the Head of Research and Development. He holds a Ph.D. and a Masters degree in Chemical Engineering from the Indian Institute of Science (IISc), Bangalore along with a Bachelors Degree in Chemical Engineering from Osmania University, Hyderabad, India. He also holds a Diploma in Project Management from Narsee Monjee Institute of Management Studies (NMIMS), India.

Mr. M.V. Ramana is the Executive Vice President and Head Emerging Markets, Global Generics. He heads the Emerging Markets business of our Global Generics segment, focusing on all emerging markets outside of India. He joined us on October 15, 1992 as a Management Trainee in the International Marketing division of our Branded Formulations business. In his 22 year tenure, he has handled various critical assignments including setting up the businesses in several countries across Asia, Latin America, Africa and the Middle East. He holds a MBA degree from Osmania University, Hyderabad, India.

Dr. Raghav Chari is the Executive Vice President and head of our Proprietary Products segment and is responsible for developing a viable portfolio of products across our New Chemical Entities and Differentiated Formulations businesses. Dr. Chari joined us in 2006 as Vice President- Corporate Development for our New Chemical Entities and Specialty business and has helped shape our Proprietary Products business strategy while developing strong alliance platforms. He started his career with McKinsey and Company, where he spent several years as an Associate, Engagement Manager and finally Associate Principal in McKinsey s Pharmaceuticals and Medical Products practice. After McKinsey, he took leadership roles in strategy and business development with several smaller biotech companies. Prior to joining us, he was the head of the Corporate Strategy function at NPS Pharmaceuticals. Dr. Chari

is a graduate in Mathematics and Physics from the California Institute of Technology and holds a Ph.D. in Theoretical Physics from Princeton University.

Dr. S. Chandrasekhar is the President and Global Head of our Human Resources (HR). He joined us in August 2013 and leads a wide range of HR initiatives in leadership development and coaching, talent development, employee engagement and organization design to integrate, grow and transform the organization globally in order to enable our enterprise to meet our business objectives. He has over 31 years of experience across India s leading firms in public and private sectors engaged in multiple industries such as steel, manufacturing, telecom, information technology services and consulting. He is also among the first few Indians who have been accredited by the International Coach Federation the world s leading coach certification body in the professional practice of executive coaching. Prior to joining us, Dr. Chandrasekhar worked with IBM, India as Vice President and Head of Human Resources for the India/South Asia region. At IBM, he was a key member of the India Leadership Team and a Director on the Board of IBM India Private Limited. Dr. Chandrasekhar is an MBA from Leeds Business School, United Kingdom and is a Ph. D in Organizational Behavior from Andhra University, India.

Table of Contents

Mr. Samiran Das is the Executive Vice President Global Manufacturing Operations-Formulations TechOps (FTO) and Chemical TechOps (CTO). He joined us on June 15, 2011 and has diverse and rich experience in manufacturing across multiple sectors. Prior to joining us, he worked with Pepsico India as Executive Director, Technical Operations for Pepsico s beverage business in the India region and was responsible for supply strategy and implementation, manufacturing footprint and expansion, quality assurance, safety, development of co-packing network, procurement and new product commercialization, and supply chain validation. At Pepsico, he was a member of the Regional Executive Committee and the Division Operations Leadership Council, with active involvement in Corporate Governance and Corporate Social Responsibility activities. Before that, he worked with companies like Union Carbide, ICI India, Hindustan Unilever, Godrej Pillsbury, Frito Lay India and D1-BP Fuel Crops India in different roles. He holds a Bachelors degree in Mechanical Engineering from the Indian Institute of Technology, Delhi, India.

Mr. Saumen Chakraborty is the President, Chief Financial Officer and Global Head of Information Technology and Business Process Excellence of our company. In this role, he is responsible for managing our global finance functions including, among others, Accounts and Controlling, Taxation, Compliance, Secretarial, Investor Relations and Treasury. In addition, Mr. Chakraborty is also responsible for our Information Technology (IT) and Business Process Excellence (BPE) functions. As the Chief Financial Officer, Mr. Chakraborty was recognized as India s Best CFO with Exemplary All Round Performance in the 5th Annual Business Today in 2014 Yes Bank Best CFO Awards event. Mr. Chakraborty joined us in 2001 as Global Chief of Human Resources. He later took over as Chief Financial Officer in 2006 and then became our President Corporate and Global Generics Operations in early 2009. In 2010 he was appointed as President and Global Head of Quality, Human Resources and Information Technology and focused on the integration of people practices, processes and information across the organization. He has 31 years of experience in strategic and operational aspects of management. Prior to joining us, he held various line management, human resources and other positions, including Senior Manager (Finance and Accounts) in the Eicher Group and Vice President (Operations) in Tecumseh Products Company. He graduated with honors as the valedictorian of his class from Visva-Bharati University in Physics and went on to pursue management from the Indian Institute of Management, Ahmedabad, Gujarat, India.

Mr. Umang Vohra is the Executive Vice President and head of our North America Generics business and has over 20 years of experience across various functions within finance, strategic planning and corporate development. He is currently responsible for our North America Generics business. Prior to this, he was our Chief Financial Officer from January 2009 to December 2012, managing our organization s global finance function. He joined us in 2002, and has been part of several of our key initiatives, including acquisitions, research and development, de-risking and partnering transactions, operational improvements and migration to IFRS in our accounting, governance and finance processes. He was awarded the Best CFO of India Award by the Stars of the Industry Group and Asian Confederation of Businesses in June 2012. He was also recognized as the Best CFO nominated by Sell Side analyst at the 2012 All-Asia Executive Team survey done by the Institutional Investor magazine. Prior to joining us, Mr. Vohra worked with Eicher and PepsiCo India. Mr. Vohra has a bachelor s degree in computer engineering and he holds an MBA with a specialization in Finance from TA Pai Institute of Management (TAPMI), India.

6.B. *Compensation*

Directors compensation

Full-Time Directors: The compensation of our Chairman of the Board (who formerly held the titles of Vice Chairman and Managing Director) and our Co-Chairman, Managing Director and Chief Executive Officer (who formerly held the titles of Chairman and Chief Executive Officer) (who we refer to as our full-time directors) is divided into salary, commission and benefits. They are not eligible to participate in our stock option plans. The Nomination, Governance and Compensation Committee of the Board of Directors initially recommends the compensation for full-time

directors. If the Board of Directors (the Board) approves the recommendation, it is then submitted to the shareholders for approval at the general shareholders meeting along with the proposal for their appointment or re-appointment.

Our Chairman of the Board and our Co-Chairman, Managing Director and Chief Executive Officer are each entitled to receive a maximum commission of up to 0.75% of our net profit (as defined under the Indian Companies Act, 2013) for the fiscal year. The Nomination, Governance and Compensation Committee, which is entirely composed of independent directors, recommends the commission for our Chairman of the Board and our Co-Chairman, Managing Director and Chief Executive Officer within the limits of 0.75% and 0.75%, respectively, of our net profits (as defined under the Indian Companies Act, 2013) for each fiscal year.

Table of Contents

Non-Full Time Directors: In the year ended March 31, 2015, none of our non-full time directors were paid any sum as attendance fees. Non-full time directors are eligible to receive a commission on our net profit (as defined under the Indian Companies Act) for each fiscal year. Our shareholders have approved a maximum commission of up to 0.5% of the net profits (as defined under the Indian Companies Act) for each fiscal year for all non-full time directors in a year. The Board determines the entitlement of each of the non-full time directors to commission within the overall limit. The non-full time directors were not granted stock options under the Dr. Reddy s Employees Stock Option Scheme, 2002 or Dr. Reddy s Employees ADR Stock Option Scheme, 2007 in the year ended March 31, 2015.

For the year ended March 31, 2015, the directors were entitled to the following amounts as compensation:

	(Amounts Rs. in millions)			
Name of Directors	**Commission**	**Salary**	**Perquisites**	**Total**
Mr. Satish Reddy	85.0	6.3	5.3	96.6
Mr. G.V. Prasad	120.0	6.3	3.0	129.3
Mr. Anupam Puri	10.9			10.9
Dr. J.P. Moreau	9.7			9.7
Ms. Kalpana Morparia	10.3			10.3
Dr. Omkar Goswami	9.4			9.4
Mr. Ravi Bhoothalingam	10.0			10.0
Dr. Bruce L.A. Carter	10.0			10.0
Dr. Ashok S. Ganguly	9.4			9.4
Mr. Sridar Iyengar	10.4			10.4

Executive officers compensation

The initial compensation to all our executive officers is determined through appointment letters issued at the time of employment. The appointment letter provides the initial amount of salary and benefits the executive officer will receive as well as a confidentiality provision and a non-compete provision applicable during the course of the executive officer s employment with us. We provide salary, certain perquisites, retirement benefits, stock options and variable pay to our executive officers. The Nomination, Governance and Compensation Committee of the Board reviews the compensation of executive officers on a periodic basis.

All of our employees at the managerial and staff levels are eligible to participate in a variable pay program, which consists of performance bonuses based on the performance of their function or business unit, and a profit sharing plan through which part of our profits can be shared with our employees. Our variable pay program is aimed at rewarding the individual based on the performance of such individual, their business unit/function and our company as a whole, with significantly higher rewards for superior performances.

We also have two employee stock option schemes: the Dr. Reddy s Employees Stock Option Scheme, 2002 and the Dr. Reddy s Employees ADR Stock Option Scheme, 2007. The stock option schemes are applicable to all of our employees including directors and employees and directors of our subsidiaries. The stock option schemes are not applicable to promoter directors, promoter employees, non-full time directors (independent directors) and persons holding 2% or more of our outstanding share capital. The Nomination, Governance and Compensation Committee of the Board of Directors awards options pursuant to the stock option schemes based on the employee s performance appraisal. Some employees have also been granted options upon joining us.

Compensation for executive officers who are full time directors is summarized in the table under Directors compensation above. The following table presents the annual compensation paid or payable to other executive officers for services rendered to us for the year ended March 31, 2015 and stock options issued to all of our other executive officers during the year ended March 31, 2015:

Table of Contents

Compensation for Executive Officers

Name	Compensation[1][3] (Rs. in millions)	No. of Options[2]
Abhijit Mukherjee	41.9	5,000
Alok Sonig	22.1	3,200
Dr. Cartikeya Reddy	21.8	3,500
Saumen Chakraborty	26.1	3,500
Umang Vohra	36.5	3,500
Dr. Raghav Chari	38.8	3,500
M.V. Ramana	23.2	3,500
Samiran Das	20.3	3,000
Dr. Amit Biswas	18.0	2,800
Dr. K.V.S. Ram Rao	14.6	2,500
Dr. S. Chandrasekhar	19.7	2,500
Dr. R. Ananthanarayanan (until November 30, 2014)	12.3	2,800

(1) These compensation amounts do not include share based payment expense arising from stock options. However, the number of options granted during the year are mentioned separately in the above table.

(2) The options vest 25% each year on various dates beginning in the year ended March 31, 2016 and ending in the year ended March 31, 2019 subject to the employee being in continued service on the date of vesting. The options expire after five years from the date of vesting. Each of the options has an exercise price of Rs.5 and results in the issuance of one equity share upon its exercise.

(3) These compensation amounts do not include an amount of Rs.67 million accrued towards a long term incentive plan for the services rendered by our executive officers for the year ended March 31, 2015. Refer to Note 18 to our consolidated financial statements for further details.

Retirement benefits.

We provide the following benefit plans to our employees:

Gratuity benefits. In accordance with applicable Indian laws, we provide for gratuity, a defined benefit plan (the Gratuity Plan) covering certain categories of employees of the parent company. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, at an amount based on the respective employee s last drawn salary and the years of employment with us. Effective September 1, 1999, we established the Dr. Reddy s Laboratories Gratuity Fund (the Gratuity Fund). Liability with regard to the Gratuity Plan is determined by an actuarial valuation, based upon which we make contributions to the Gratuity Fund. Trustees administer the contributions made to the Gratuity Fund. The amounts contributed to the Gratuity Fund are primarily invested in Indian Government bonds and corporate debt securities. A small portion of the fund is also invested in equity securities of Indian companies.

The net periodic gratuity benefit cost recognized by us towards the aforesaid Gratuity Plan was Rs.155 million and Rs.135 million for the years ended March 31, 2015 and 2014, respectively.

Superannuation benefits. Our senior officers participate in superannuation, a defined contribution plan administered by the Life Insurance Corporation of India. We make annual contributions based on a specified percentage of each covered employee s salary. We have no further obligations under the plan beyond our annual contributions. We contributed Rs.68 million and Rs.63 million to the superannuation plan during the years ended March 31, 2015 and 2014, respectively.

Provident fund benefits. In India, certain employees receive benefits from a provident fund, a defined contribution plan. Both the employee and employer each make monthly contributions to the plan equal to 12% of the covered employee s basic salary. We have no further obligations under the plan beyond our monthly contributions. We contributed Rs.492 million and Rs.411 million to the provident fund plan during the years ended March 31, 2015 and 2014, respectively.

401(k) retirement savings plans. In the United States, we sponsor a defined contribution 401(k) retirement savings plan for all eligible employees who meet minimum age and service requirements. We contributed Rs.195 million and Rs.162 million to this 401(k) retirement savings plan for the years ended March 31, 2015 and 2014, respectively.

National Insurance 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. We sponsor a defined contribution plan for such National Insurance contributions. The contribution amounts are determined based upon the employee s base salary. We have no further obligations under the plan beyond our monthly contributions. We contributed Rs.151 million and Rs.151 million to the U.K. National Insurance scheme during the years ended March 31, 2015 and 2014, respectively.

Table of Contents

Pension. All employees of Industrias Quimicas Falcon de Mexico, SA de CV (Falcon), our subsidiary in Mexico, are governed by a defined benefit pension plan. The pension plan provides a 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 we make 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 net periodic cost recognized under the Falcon pension plan was Rs.22 million and Rs.29 million during the years ended March 31, 2015 and 2014, respectively.

Compensated leave of absence. Our current policies permit certain categories of employees to accumulate and carry forward a portion of their unutilized compensated absences and utilize them in future periods or receive cash in lieu thereof in accordance with the terms of such policies. We measure the expected cost of accumulating compensated absences as the additional amount that we expect to pay as a result of the unused entitlement that has accumulated at the statement of financial position date. Such measurement is based on actuarial valuation as at the statements of financial position date carried out by a qualified actuary. Towards this benefit, we recorded a total liability of Rs.616 million and Rs.463 million as at March 31, 2015 and 2014, respectively.

Long term incentive plan. Certain senior management employees of our company participate in a long term incentive plan which is aimed at rewarding the individual based on the performance of such individual, their business unit/function and our company as a whole, with significantly higher rewards for superior performances. The total liability recorded by us towards this benefit was Rs.323 million as of March 31, 2015.

6.C. ***Board practices***

Our Articles of Association require us to have a minimum of three and a maximum of twenty directors. As of March 31, 2015, we had ten directors on our Board, of which eight were non-full time independent directors.

The Companies Act, 2013 and our Articles of Association require that at least two-thirds of our directors be subject to re-election by our shareholders in rotation and that, at every annual general meeting, one-third of the directors who are subject to re-election must retire from the Board. However, if eligible for re-election, they may be re-elected by our shareholders at the annual general meeting.

Due to India s adoption of the Companies Act, 2013, effective as of April 1, 2014, non-full time independent directors are no longer required to retire from the Board by rotation. As a result, at annual general meetings held after April 1, 2014, our non-full time independent directors will be excluded from the calculation of the two-thirds directors who are subject to re-election by our shareholders in rotation.

The Ministry of Corporate Affairs, Government of India, by a circular dated June 9, 2014, stated that all non-full time independent directors (including existing non-full time independent directors) are required to be appointed expressly under the provisions of the Companies Act, 2013 before March 31, 2015. Accordingly, all of our non-full time independent full time directors were re-appointed by our shareholders at the July 2014 annual general meeting.

The terms of each of our directors and their expected expiration dates are provided in the table below:

Name	Expiration of Current	Term of	Period of Service

	Term of Office	Office	
Mr. G.V. Prasad[1]	January 29, 2016	5 years	29 years
Mr. Satish Reddy[1]	September 30, 2017	5 years	22 years
Mr. Anupam Puri[2] [3]	July 31, 2018	4 years	13 years
Dr. J. P. Moreau[2] [3]	July 31, 2015	1 year	8 years
Ms. Kalpana Morparia[2] [3]	July 31, 2019	5 years	8 years
Dr. Omkar Goswami[2] [3]	July 31, 2019	5 years	14.5 years
Mr. Ravi Bhoothalingam[2] [3]	July 31, 2016	2 years	14.5 years
Dr. Bruce L.A. Carter[2] [3]	July 31, 2019	5 years	7 years
Dr. Ashok S. Ganguly [2] [3]	July 31, 2017	3 years	5.5 years
Mr. Sridar Iyengar [2] [3]	July 31, 2019	5 years	4 years

Table of Contents

(1) Full time director.
(2) Non-full time independent director.
(3) All of the non-full time independent directors were appointed at our annual general meeting on July 31, 2014, under the provisions of the Companies Act, 2013 for a term stated in the above table. This appointment of our non-full time independent directors was to comply with the circular dated June 9, 2014 issued by the Ministry of Corporate Affairs, Government of India requiring us to appoint all of our non-full time independent directors specifically under the provisions of the Companies Act, 2013.

As a result of the above, a proposal to vary the terms of appointment so that only our full time directors are subject to retirement by rotation was placed before our shareholders at the July 2014 annual general meeting. Accordingly, our full time directors are now subject to retirement by rotation. The directors are not eligible for any termination benefit on the termination of their tenure with us. As a result of the above, Mr. G.V. Prasad shall retire by rotation and the proposal to reappoint him is being placed before our shareholders at the July 2015 annual general meeting.

Committees of the Board

Committees appointed by the Board focus on specific areas and take decisions within the authority delegated to them.

The Committees also make specific recommendations to the Board on various matters from time-to-time. All decisions and recommendations of the Committees are placed before the Board for information or approval. We had eight Board-level Committees as of March 31, 2015:

Audit Committee.

Nomination, Governance and Compensation Committee.

Science, Technology and Operations Committee.

Risk Management Committee.

Stakeholders Relationship Committee (formerly Shareholders Grievance Committee).

Management Committee.

Investment Committee.

Corporate Social Responsibility Committee.

We have adopted charters for our Audit Committee, Nomination, Governance and Compensation Committee, Science, Technology and Operations Committee, Risk Management Committee, Shareholders Grievance Committee and Corporate Social Responsibility Committee, formalizing the applicable committee s procedures and duties. Each of these charters is available on our website at www.drreddys.com/aboutus/committees-of-the-board.html.

Audit Committee. Our management is primarily responsible for our internal controls and financial reporting process. Our independent registered public accounting firm is responsible for performing independent audits of our financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and for issuing reports based on such audits. The Board of Directors has entrusted the Audit Committee to supervise these processes and thus ensure accurate and timely disclosures that maintain the transparency, integrity and quality of financial controls and reporting.

The Audit Committee consists of the following four non-full time, independent directors:

Mr. Sridar Iyengar (Chairman);

Dr. Omkar Goswami;

Ms. Kalpana Morparia; and

Mr. Ravi Bhoothalingam.

Our Company Secretary is the Secretary of the Audit Committee. This Committee met five times during the year ended March 31, 2015. Our independent registered public accounting firm was generally present at all Audit Committee meetings during the year.

Table of Contents

The primary responsibilities of the Audit Committee are to:

- Supervise the financial reporting process;
- Review our financial results, along with the related public filings, before recommending them to the Board;
- Review the adequacy of our internal controls, including the plan, scope and performance of our internal audit function;
- Discuss with management our major policies with respect to risk assessment and risk management;
- Hold discussions with our independent registered public accounting firm on the nature and scope 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 our independent registered public accounting firm and their fees;
- Recommend the appointment of cost auditors;
- Review the independence of our independent registered public accounting firm;
- Ensure that adequate safeguards have been taken for legal compliance both for us and for our Indian and foreign subsidiaries;
- Review the financial statements of subsidiary companies, especially, investments made by them;
- Review and approve any related party transactions;
- Review the functioning of our whistle blower policies and procedures;

Scrutiny of inter-corporate loans and investments;

Value our undertakings or assets, wherever necessary;

Evaluate our internal financial controls and risk management systems;

Review the findings of any investigations related to suspected fraud; and

Implement compliance with all applicable provisions of the Sarbanes-Oxley Act of 2002.

Nomination, Governance and Compensation Committee. The primary functions of the Nomination, Governance and Compensation Committee are to:

Examine the structure, composition and functioning of the Board, and recommend changes, as necessary, to improve the Board s effectiveness;

Formulate policies on compensation of our Directors, key managerial personnel and other employees and on Board diversity;

Formulate criteria for evaluation of our non-full time independent directors and the Board;

Assess our policies and processes in key areas of corporate governance, other than those explicitly assigned to other Board Committees, with a view to ensuring that we are at the forefront of good corporate governance; and

Regularly examine ways to strengthen our organizational health, by improving the hiring, retention, motivation, development, deployment and behavior of management and other employees. In this context, the Committee also reviews the framework and processes for motivating and rewarding performance at all levels of the organization, the resulting compensation awards, and make appropriate proposals for Board approval. In particular, it recommends all forms of compensation to be granted to our Directors, executive officers and senior management employees.

The Nomination, Governance and Compensation Committee also administers our Employee Stock Option Schemes.

The Nomination, Governance and Compensation Committee consists of the following non-full time, independent directors:

Dr. Ashok S. Ganguly (Chairman effective August 1, 2014);

Mr. Anupam Puri (Chairman until July 31, 2014);

Ms. Kalpana Morparia; and

Mr. Ravi Bhoothalingam.

The Corporate Officer heading our Human Resources function serves as the Secretary of the Committee. The Nomination, Governance and Compensation Committee met three times during the year ended March 31, 2015.

Table of Contents

Science, Technology and Operations Committee. The primary functions of the Science, Technology and Operations Committee are to:

- Advise the Board and our management on scientific, medical and technical matters and operations involving our development and discovery programs (generic and proprietary), including major internal projects, business development opportunities, interaction with academic and other outside research organizations;
- Assist the Board and management to stay abreast of novel scientific and technology developments and innovations and anticipate emerging concepts and trends in therapeutic research and development, to help assure we make well-informed choices in committing its resources;
- Assist the Board and our management in creation of valuable intellectual property;
- Review the status of non-infringement patent challenges; and
- Assist the Board and our management in building and nurturing science in our organization in accordance with our business strategy.

The Science, Technology and Operations Committee consists of the following non-full time, independent directors:

- Dr. Bruce L.A. Carter (Chairman effective August 1, 2014);
- Mr. Anupam Puri;
- Dr. Ashok S. Ganguly (Chairman until July 31, 2014); and
- Dr. J.P. Moreau.

The Corporate Officers heading our Integrated Product Development Operations, Proprietary Products and Biologics functions serve as the Secretary of the Committee with regard to their respective businesses. The Science, Technology and Operations Committee met four times during the year ended March 31, 2015.

Risk Management Committee. The primary function of the Risk Management Committee is to:

- Ensure that it is apprised of the most significant risks along with the action management is taking and how it is ensuring effective Enterprise Risk Management;

Discuss with senior management our Enterprise Risk Management and provide oversight as may be needed; and

Review risk disclosure statements in any public documents or disclosures.

The Risk Management Committee consists of the following non-full time, independent directors:

Dr. Omkar Goswami (Chairman effective August 1, 2014);

Dr. J.P. Moreau;

Dr. Bruce L.A. Carter (Chairman until July 31, 2014); and

Mr. Sridar Iyengar.

Our Chief Financial Officer is the Secretary of the Risk Management Committee. This Committee met three times during the year ended March 31, 2015.

Corporate Social Responsibility (CSR) Committee. The primary function of the Corporate Social Responsibility Committee is to:

Formulate, review and recommend to the Board, a Corporate Social Responsibility Policy indicating the activities to be undertaken by us as specified in Schedule VII of the Companies Act, 2013;

Recommend the amount of expenditure to be incurred on the activities referred to in clause (a) of Section 135(3) of the Companies Act, 2013;

Provide guidance on various Corporate Social Responsibility activities undertaken by us and monitoring their progress; and

Monitor the adherence to our Corporate Social Responsibility Policy from time to time.

Table of Contents

The Corporate Social Responsibility Committee consists of the following directors:

Mr. Ravi Bhoothalingam (Chairman);

Mr. G.V. Prasad; and

Mr. Satish Reddy.

Our Chief of Sustainability is the Secretary of the Corporate Social Responsibility Committee. This Committee met four times during the year ended March 31, 2015.

Stakeholders Relationship Committee. Effective May 13, 2014, the name of our Shareholders Grievance Committee has been changed to Stakeholders Relationship Committee in accordance with the provisions of Section 178 of the Indian Companies Act, 2013. The primary function of the Stakeholders Relationship Committee is to:

Review investor complaints and their redress;

Review queries received from investors;

Review work done by our share transfer agent; and

Review corporate actions related to security holders.

The Stakeholders Relationship Committee consists of the following directors:

Ms. Kalpana Morparia (Chairman effective August 1, 2014)

Mr. Ravi Bhoothalingam (Chairman until July 31, 2014);

Mr. G.V. Prasad; and

Mr. Satish Reddy.

Our Company Secretary is the Secretary of the Stakeholders Relationship Committee. This Committee met four times during the year ended March 31, 2015.

6.D. ***Employees***

The following table sets forth the number of our employees as at March 31, 2013, 2014 and 2015.

	As at March 31, 2015				
	India	North America	Europe	Rest of World	Total
Manufacturing[1]	9,442	420	155	285	10,302
Sales and marketing[2]	4,953	137	35	1,375	6,500
Research and development[3]	2,202	45	120	46	2,413
Others[4]	727	104	94	233	1,158
Total	**17,324**	**706**	**404**	**1,939**	**20,373**

	As at March 31, 2014				
	India	North America	Europe	Rest of World	Total
Manufacturing[1]	8,160	417	169	132	8,878
Sales and marketing[2]	4,162	133	83	1,233	5,611
Research and development[3]	1,940	28	70	41	2,079
Others[4]	1,131	100	113	509	1,853
Total	**15,393**	**678**	**435**	**1,915**	**18,421**

	As at March 31, 2013				
	India	North America	Europe	Rest of World	Total
Manufacturing[1]	7,084	389	179	154	7,806
Sales and marketing[2]	3,559	119	85	1,057	4,820
Research and development[3]	1,939	21	69	43	2,072
Others[4]	1,143	87	139	550	1,919
Total	**13,725**	**616**	**472**	**1,804**	**16,617**

Table of Contents

(1) Includes quality, technical services and warehouse.
(2) Includes business development.
(3) Includes employees engaged in contract research services provided to other companies.
(4) Includes shared services, corporate business development and the intellectual property management team.

We have not experienced any significant work stoppages in the years ended March 31, 2015 and 2014, and we consider our relationship with our employees and labor unions to be good. Approximately 5% of our employees belong to labor unions.

6.E. ***Share ownership***

The following table sets forth, as of March 31, 2015 for each of our directors and executive officers, the total number of our equity shares and options owned by them:

Name	No. of Shares Held [1], [2]	% of Outstanding Capital	No. of Options Held[5]	Vesting and Expiration Date (See note no.)
G.V. Prasad [3]	1,365,840	0.80%		
Satish Reddy[3]	1,205,832	0.71%		
Anupam Puri (ADRs)	21,300	0.01%		
Dr. J.P.Moreau				
Dr. Omkar Goswami	22,800	0.01%		
Kalpana Morparia	10,800	0.01%		
Ravi Bhoothalingam	22,800	0.01%		
Dr. Bruce L.A. Carter (ADRs)	11,800	0.01%		
Dr. Ashok S. Ganguly	4,800	0.00%		
Sridar Iyengar				
Abhijit Mukherjee	22,111	0.01%	15,000	(4)
Dr. Cartikeya Reddy			9,125	(4)
Saumen Chakraborty	27,000	0.02%	10,125	(4)
Umang Vohra	15,065	0.01%	10,125	(4)
Dr. Raghav Chari (ADRs)	4,275	0.00%	9,125	(4)
M.V. Ramana	13,846	0.01%	9,150	(4)
Samiran Das	1,825	0.00%	7,475	(4)
Dr. Amit Biswas	2,825	0.00%	7,275	(4)
Alok Sonig	1,050	0.00%	6,350	(4)
Dr. K. V. S. Ram Rao	8,650	0.01%	5,100	(4)
Dr. S. Chandrasekhar			2,500	(4)

(1) Shares held in their individual name only.
(2) All shares have voting rights.
(3) Not eligible for grant of stock options.

(4) The options vest on various dates between the year ending March 31, 2016 and the year ending March 31, 2019.

(5) The options expire after five years from the date of vesting. Each of the options has an exercise price of Rs.5 and results in the issuance of one equity share upon its exercise.

Employee Stock Incentive Plans

We have adopted a number of stock option incentive plans covering either our ordinary shares or our ADSs, and we are currently operating under the Dr. Reddy s Employees Stock Option Plan-2002 and the Dr. Reddy s Employees ADR Stock Option Plan-2007. During the year ended March 31, 2015, options to purchase ordinary shares and ADSs were awarded to various of our executive officers and other employees under these two plans as follows: an aggregate of 276,636 options were granted having an average exercise price of Rs.5 per share or ADS and no options were granted at a fair market value based exercise price. Each option granted had an expiration date of five years from the vesting date, and each grant provided for time-based vesting in 25% increments over four years. As of March 31, 2015, options were outstanding under these two plans for an aggregate of 683,804 shares and ADSs with an average exercise price of Rs.5 per share.

Table of Contents

For the years ended March 31, 2015 and 2014, Rs.498 million and Rs.436 million, respectively, have been recorded as employee share-based payment expense under all of our employee stock incentive plans. As of March 31, 2015, there was Rs.558 million of total unrecognized compensation cost related to unvested stock options. This cost is expected to be recognized over a weighted-average period of 3.60 years. For further information regarding our options and stock option incentive plans, see Note 19 to our consolidated financial statements.

Table of Contents

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A. *Major shareholders*

All of our equity shares have the same voting rights. As of March 31, 2015, a total of 25.48% of our equity shares were held by the following parties:

Mr. G.V. Prasad (Co-Chairman, Managing Director and Chief Executive Officer);

Mr. Satish Reddy (Chairman of the Board);

Mrs. K. Samrajyam, mother of Mr. Satish Reddy, and Mrs. G. Anuradha, wife of Mr. G.V. Prasad (hereafter collectively referred as the Family Members); and

Dr. Reddy s Holdings Limited (formerly known as Dr. Reddy s Holdings Private Limited), a company in which the APS Trust owns 83.11% of the equity and the remainder is held by Mr. G.V. Prasad HUF, Mr. Satish Reddy individually and as HUF and the Family Members. Mr. G.V. Prasad, Mr. Satish Reddy, Mrs. G. Anuradha, Mrs. Deepti Reddy and their bloodline descendents are the beneficiaries of the APS Trust. Mr. G.V. Prasad, Mr. Satish Reddy, Mrs. G. Anuradha and Mrs. Deepti Reddy are the sole members of the Board of Directors of Dr. Reddy s Holdings Limited. Mr. G.V. Prasad and Mr. Satish Reddy are the sole trustees of the APS trust.

The following table sets forth information regarding the beneficial ownership of our shares by the foregoing persons as of March 31, 2015:

	Equity Shares Beneficially Owned[1]	
Name	**Number of Shares**	**Percentage of Shares**
Dr. Reddy s Holdings Limited	39,729,284	23.32%
Mr. G.V. Prasad	1,365,840	0.80%
Mr. Satish Reddy	1,205,832	0.71%
Family Members	1,116,856	0.65%
Subtotal	43,417,812	25.48%
Others/public float	126,963,362	74.52%
Total number of shares outstanding	**170,381,174**	**100.00%**

(1)

Beneficial ownership is determined in accordance with rules of the U.S. Securities and Exchange Commission, which provides that shares are beneficially owned by any person who has voting or investment power with respect to the shares. All information with respect to the beneficial ownership of any principal shareholder has been furnished by that shareholder and, unless otherwise indicated below, we believe that persons named in the table have sole voting and sole investment power with respect to all shares shown as beneficially owned, subject to community property laws where applicable.

As otherwise stated above and to the best of our knowledge, we are not owned or controlled directly or indirectly by any government or by any other corporation or by any other natural or legal persons. We are not aware of any arrangement, the consummation of which may at a subsequent date result in a change in our control.

Table of Contents

The following shareholders held more than 5% of our equity shares as of:

	March 31, 2015		March 31, 2014		March 31, 2013	
Name	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Dr. Reddy s Holdings Limited	39,729,284	23.32%	39,729,284	23.35%	39,729,284	23.39%
First State Investments Management (UK) Limited, First State Investments International Limited and their associates*	14,389,390	8.45%	14,056,799	8.26%	9,667,791	5.69%

* Based on information provided to us by First State Investments Management (UK) Limited, as of March 31, 2015, they held an additional 2.43% of the aggregate shares of our Company in the form of ADSs in addition to the equity shares listed above.

As of March 31, 2015, we had 170,381,174 outstanding equity shares. As of March 31, 2015, there were 74,648 record holders of our equity shares listed and traded on the Indian stock exchanges. Our American Depositary Shares (ADSs) are listed on the New York Stock Exchange. One ADS represents one equity share of Rs.5 par value per share. As of March 31, 2015, 16.89% of our issued and outstanding equity shares were held by ADS holders. On March 31, 2015 we had approximately 65 registered shareholders and 12,415 beneficial shareholders of record in the United States.

7.B. ***Related party transactions***

Refer to Note 28 of our consolidated financial statements.

7.C. ***Interests of experts and counsel***

Not applicable.

ITEM 8. FINANCIAL INFORMATION

8.A. ***Consolidated statements and other financial information***

The following financial statements and auditors report appear under Item 18 of this Annual Report on Form 20-F and are incorporated herein by reference:

Report of Independent Registered Public Accounting Firm

Consolidated statement of financial position as of March 31, 2015 and 2014

Consolidated income statement for the years ended March 31, 2015, 2014 and 2013

Consolidated statement of comprehensive income for the years ended March 31, 2015, 2014 and 2013

Consolidated statement of changes in equity for the years ended March 31, 2015, 2014 and 2013

Consolidated statement of cash flows for the years ended March 31, 2015, 2014 and 2013

Notes to the consolidated financial statements

Our financial statements included in this Annual Report on Form 20-F have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The financial statements included herein are for our three most recent fiscal years.

Table of Contents

Amount of Export Sales

For the year ended March 31, 2015, our export revenues (i.e., revenues from all geographies other than India) were Rs.127,031 million, and accounted for 86% of our total revenues.

Legal Proceedings

Refer to Note 36 of our consolidated financial statements.

Dividend Policy

In the years ended March 31, 2013, 2014 and 2015, we paid cash dividends of Rs. 13.75, Rs.15.00 and Rs. 18.00 respectively, per equity share. Every year our Board of Directors recommends the amount of dividends to be paid to shareholders, if any, based upon conditions then existing, including our earnings, financial condition, capital requirements and other factors. In our Board of Directors meeting held on May 12, 2015, the Board of Directors proposed a dividend per share of Rs.20 and aggregating to Rs.3,408 million plus an additional amount of Rs.694 million, which is intended to equal the applicable dividend tax, all of which is subject to the approval of our shareholders.

Holders of our ADSs are entitled to receive dividends payable on equity shares represented by such ADSs. Cash dividends on equity shares represented by our ADSs are paid to the depositary in Indian rupees and are converted by the depositary into U.S. dollars and distributed, net of depositary fees, taxes, if any, and expenses, to the holders of such ADSs

Bonus Debentures

On March 31, 2010, our Board of Directors approved a scheme for the issuance (in-kind , i.e., for no cash consideration) to our shareholders of 9.25% unsecured, non-convertible, redeemable debentures (sometimes referred to as our bonus debentures), to be effected by way of capitalization of our retained earnings. The scheme was subject to the successful receipt of necessary approvals of our shareholders, the High Court of Andhra Pradesh, India and other identified regulatory authorities as mentioned in the scheme. All necessary approvals to effectuate the scheme, including that of the High Court, were received during the year ended March 31, 2011. Accordingly, on March 24, 2011, we issued these bonus debentures to our shareholders. These bonus debentures matured on March 24, 2014 and were redeemed by us for cash in an amount equal to their face value of Rs. 5 each, along with the third and final interest payment thereon. The aggregate principal payment for all such bonus debentures on March 24, 2014 was Rs.5,078 million.

8.B. ***Significant changes***

In April 2015, we 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 established products business in the territories of India, Nepal, Sri Lanka and Maldives. The purchased business was acquired on a slump sale basis (an Indian tax law concept which refers to the transfer of a business as a going concern without values being assigned to individual assets and liabilities). The transaction includes approximately 350 employees engaged in operations of the acquired India business. The acquisition is expected to strengthen our presence in the areas of dermatology, respiratory and pediatric products. The total purchase consideration was Rs.8,000 million. The acquisition was closed on June 16, 2015.

116

Table of Contents

ITEM 9. THE OFFER AND LISTING

9.A. *Offer and listing details*

Information Regarding Price History

The following tables set forth the price history for our shares on the BSE Limited (formerly known as the Bombay Stock Exchange Limited) (BSE) and for our ADSs on the New York Stock Exchange (NYSE).

	BSE Price Per Equity Share[1]		NYSE Price Per ADS[1]	
Year Ended March 31,	High (Rs.)	Low (Rs.)	High (U.S.$)	Low (U.S.$)
2011	1,855.00	1,160.00	41.80	24.17
2012	1,770.80	1,387.00	39.37	28.75
2013	1,968.60	1,528.00	36.73	27.28
2014	2,939.80	1,766.30	47.93	31.32
2015	3,662.00	2,250.00	59.02	38.23

	BSE Price Per Equity Share[1]		NYSE Price Per ADS[1]	
Quarter Ended	High (Rs.)	Low (Rs.)	High (U.S.$)	Low (U.S.$)
June 30, 2013	2,230.00	1,766.30	38.74	32.78
September 30, 2013	2,471.70	2,025.00	39.95	31.32
December 31, 2013	2,554.00	2,313.00	41.42	38.00
March 31, 2014	2,939.80	2,460.00	47.93	39.39
June 30, 2014	2,783.00	2,250.00	46.24	38.23
September 30, 2014	3,353.85	2,598.10	53.67	43.03
December 31, 2014	3,662.00	2,883.40	59.02	45.67
March 31, 2015	3,570.00	3,010.00	58.25	47.52

	BSE Price Per Equity Share[1]		NYSE Price Per ADS[1]	
Month Ended	High (Rs.)	Low (Rs.)	High (U.S.$)	Low (U.S.$)
October 31, 2014	3,280.00	2,883.40	52.79	45.67
November 30, 2014	3,635.00	3,172.75	58.85	51.92
December 31, 2014	3,662.00	3,060.00	59.02	48.34
January 31, 2015	3,400.00	3,013.55	54.65	47.52

February 28, 2015	3,431.00	3,010.00	54.60	49.01
March 31, 2015	3,570.00	3,308.00	58.25	53.14

(1) Source: www.bseindia.com and www.adr.com, respectively.

9.B. ***Plan of distribution***

Not applicable.

9.C. ***Markets***

Markets on Which Our Shares Trade

Our equity shares are traded on the BSE Limited (formerly known as the Bombay Stock Exchange Limited) (BSE) and National Stock Exchange of India Limited (NSE), or collectively, the Indian Stock Exchanges. Our American Depositary Shares (or ADSs), as evidenced by American Depositary Receipts (or ADRs), are traded in the United States on the New York Stock Exchange (NYSE), under the ticker symbol RDY. Each ADS represents one equity share. Our ADSs began trading on the NYSE on April 11, 2001. Our shareholders approved the delisting of our shares from the Hyderabad Stock Exchange Limited, The Stock Exchange, Ahmedabad, The Madras Stock Exchange Limited, and The Calcutta Stock Exchange Association Limited at the general shareholders meeting held on August 25, 2003.

Table of Contents

Markets on Which Our Debentures Trade

Our unsecured, redeemable, non-convertible, fully paid-up bonus debentures (as described in Section 8.A. above), were traded on the Indian Stock Exchanges until February 19, 2014. They were redeemed for cash on March 24, 2014. These bonus debentures were not registered in the United States and were publicly traded solely in India.

9.D. ***Selling shareholders***

Not applicable.

9.E. ***Dilution***

Not applicable.

9.F. ***Expenses of the issue***

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

10.A. ***Share capital***

Not applicable.

10.B. ***Memorandum and articles of association***

Dr. Reddy s Laboratories Limited was incorporated under the Indian Companies Act, 1956. We are registered with the Registrar of Companies, Hyderabad, Telangana, India, with Company Identification No. L85195AP1984PLC004507. Our company s registration number changed to L85195TG1984PLC004507 effective as of June 2, 2014.

Our registered office is located at 8-2-337, Road No. 3, Banjara Hills, Hyderabad, Telangana 500 034, India and the telephone number of our registered office is +91-40-49002900. The summary of our Articles of Association and Memorandum of Association that is included in our registration statement on Form F-1 filed with the U.S. Securities and Exchange Commission (the SEC) on April 11, 2001, together with copies of the Articles of Association and Memorandum of Association that are included in our registration statement on Form F-1, are incorporated herein by reference.

The Memorandum and Articles of Association were amended at the 17th Annual General Meeting held on September 24, 2001, 18th Annual General Meeting held on August 26, 2002, the 20th Annual General Meeting held on July 28, 2004 and the 22nd Annual General Meeting held on July 28, 2006. A full description of these amendments was given in the Form 20-F filed with the SEC on September 30, 2003, September 30, 2004 and October 2, 2006, which description is incorporated herein by reference. The Memorandum and Articles of Association were amended at the 22nd Annual General Meeting held on July 28, 2006 to increase the authorized share capital in connection with the stock split effected in the form of a stock dividend that occurred on August 30, 2006.

The Memorandum and Articles of Association were further amended in accordance with the terms of an Order of the High Court of Judicature, Andhra Pradesh, dated June 12, 2009 to effect an increase in our parent company s authorized share capital pursuant to the amalgamation of Perlecan Pharma Private Limited into our parent company.

In a related order dated June 12, 2009, the High Court concluded that there was no need to have a shareholders meeting in order to affect such amendment.

The Memorandum and Articles of Association were further amended in accordance with the terms of an Order of the High Court of Judicature, Andhra Pradesh, dated July 19, 2010 to provide for the capitalization or utilization of undistributed profit or retained earnings or security premium account or any other reserve or fund of ours with the approval of our shareholders in connection with our bonus debentures.

Table of Contents

10.C. ***Material contracts***

Other than the contracts entered into in the ordinary course of business, there are no material contracts to which we or any of our direct and indirect subsidiaries is a party for the two years immediately preceding the date of this Form 20-F.

10.D. ***Exchange controls***

Foreign investment in Indian securities, whether in the form of foreign direct investment or in the form of portfolio investment, is governed by the Foreign Exchange Management Act, 1999, as amended (FEMA), and the rules, regulations and notifications issued thereunder. Set forth below is a summary of the restrictions on transfers applicable to both foreign direct investments and portfolio investments, including the requirements under Indian law applicable to the issuance and transfer of ADSs.

Foreign Direct Investment

The Foreign Direct Investment Policy under the Reserve Bank of India s (RBI) Automatic Route enables Indian companies (other than those specifically excluded thereunder) to issue shares to persons who reside outside of India without prior permission from the RBI, except in cases where there are ceilings of investments in certain industry sectors and subject to certain conditions.

The Department of Industrial Policy and Promotion, a part of the Ministry of Commerce and Industry, issued detailed guidelines in January 1997 for consideration of foreign direct investment proposals by the Foreign Investment Promotion Board (the Guidelines). The basic objective of the Guidelines is to improve the transparency and objectivity of the Foreign Investment Promotion Board s consideration of proposals. However, since these are administrative guidelines and have not been codified as either law or regulations, they are not legally binding with respect to any recommendation made by the Foreign Investment Promotion Board or with respect to any decision taken by the Government of India in cases involving foreign direct investment.

Under the Guidelines, sector specific guidelines for foreign direct investment and the levels of permitted equity participation have been established. In February 2000, the Department of Industrial Policy and Promotion issued a notification that foreign ownership of up to 50%, 51%, 74% or 100%, depending on the category of industry, would be allowed without prior permission of the Foreign Investment Promotion Board and, in certain cases, without prior permission of the RBI. Over a period of time, the Government of India has relaxed the restrictions on foreign investment, including the revision of the investment cap to 26% in the insurance sector and 74% subject to RBI guidelines for setting up branches/subsidiaries of foreign banks in the private banking sector.

In May 1994, the Government of India announced that purchases by foreign investors of ADSs, as evidenced by ADRs, and foreign currency convertible bonds of Indian companies would be treated as foreign direct investment in the equity issued by Indian companies for such offerings. Therefore, offerings that involve the issuance of equity that results in Foreign Direct Investors holding more than the stipulated percentage of direct foreign investments (which depends on the category of industry) would require approval from the Foreign Investment Promotion Board.

In addition, offerings by Indian companies of any such securities to foreign investors require Foreign Investment Promotion Board approval, whether or not the stipulated percentage limit would be reached if the proceeds will be used for investment in specified industries.

For investments in the pharmaceutical sector, the Foreign Direct Investment limit is 100%. However, unlike Foreign Direct Investments in new pharmaceutical projects (sometimes called greenfield investments), Foreign Direct Investments in existing Indian pharmaceutical companies (sometimes called brownfield investments) are nonetheless subject to approval by the Foreign Investment Promotion Board (which can incorporate conditions for its approval at the time of grant). Thus, foreign ownership of up to 100% of our equity shares would be allowed but would require certain approvals.

Portfolio Investment Scheme

Investments by persons of Indian nationality or origin residing outside of India (also known as Non-Resident Indians or NRIs) or registered Foreign Institutional Investors (FIIs) made through a stock exchange are known as portfolio investments (Portfolio Investments).

Table of Contents

Portfolio Investments by NRIs

A variety of methods for investing in shares of Indian companies are available to NRIs. These methods allow NRIs to make portfolio investments in existing shares and other securities of Indian companies on a basis not generally available to other foreign investors.

The RBI no longer recognizes overseas corporate bodies (OCBs) as an eligible class of investment vehicle under various circumstances under the RBI s foreign exchange regulations.

Portfolio Investments by FIIs

In September 1992, the Government of India issued guidelines that enable FIIs, including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated/institutional portfolio managers, to invest in all of the securities traded on the primary and secondary markets in India. Under the guidelines, FIIs are required to obtain an initial registration from the Securities and Exchange Board of India (SEBI), and a general permission from the RBI to engage in transactions regulated under the Foreign Exchange Management Act. FIIs must also comply with the provisions of the SEBI (Foreign Institutional Investors Regulations) 1995. When it receives the initial registration, the FII also obtains general permission from the RBI to engage in transactions regulated under the Foreign Exchange Management Act. Together, the initial registration and the RBI s general permission enable the registered FII to: (i) buy (subject to the ownership restrictions discussed below) and sell unrestricted securities issued by Indian companies; (ii) realize capital gains on investments made through the initial amount invested in India; (iii) participate in rights offerings for shares; (iv) appoint a domestic custodian for custody of investments held; and (v) repatriate the capital, capital gains, dividends, interest income and any other compensation received pursuant to rights offerings of shares. The current policy with respect to purchase or sale of securities of an Indian company by an FII is in Schedule 2 and Regulation 5(2) of the Foreign Exchange Management (Transfer or Issue of Securities by a Person Resident Outside India) Regulations, 2000.

Ownership restrictions

The SEBI and the RBI regulations restrict portfolio investments in Indian companies by FIIs, NRIs and OCBs, all of which we refer to as foreign portfolio investors. Under current Indian law, FIIs in the aggregate may hold not more than 24.0% of the equity shares of an Indian company, and NRIs in the aggregate may hold not more than 10.0% of the shares of an Indian company through portfolio investments. The 24.0% limit referred to above can be increased to sectoral cap/statutory limits as applicable if a resolution is passed by the board of directors of the company followed by a special resolution passed by the shareholders of the company to that effect. The 10.0% limit referred to above may be increased to 24.0% if the shareholders of the company pass a special resolution to that effect. No single FII may hold more than 10.0% of the shares of an Indian company and no single NRI may hold more than 5.0% of the shares of an Indian company.

Our shareholders have passed a resolution enhancing the limits of portfolio investment by FIIs in the aggregate to 49%. NRIs in the aggregate may hold not more than 10.0% of our equity shares through portfolio investments. Holders of ADSs are not subject to the rules governing FIIs unless they convert their ADSs into equity shares.

As of March 31, 2015, FIIs held 38.86% of our equity shares and NRIs held 1.27% of our equity shares.

In September 2011, the Securities and Exchange Board of India (SEBI) enacted the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (the 2011 Takeover Code), which replaces the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

Under the 2011 Takeover Code, upon acquisition of shares or voting rights in a publicly listed Indian company (the target company) such that the aggregate shareholding of the acquirer (meaning a person who directly or indirectly, acquires or agrees to acquire shares or voting rights in the target company, or acquires or agrees to acquire control over the target company, either alone or together with any persons acting in concert), is 5% or more of the shares of the target company, the acquirer is required to, within two working days of such acquisition, disclose the aggregate shareholding and voting rights in the target company to the target company and to the stock exchanges in which the shares of the target company are listed.

Furthermore, an acquirer who, together with persons acting in concert with such acquirer, holds shares or voting rights entitling them to 5% or more of the shares or voting rights in a target company must disclose every sale or acquisition of shares representing 2% or more of the shares or voting rights of the target company to the target company and to the stock exchanges in which the shares of the target company are listed within two working days of such acquisition or sale or receipt of intimation of allotment of such shares.

Table of Contents

Every acquirer, who together with persons acting in concert with such acquirer, holds shares or voting rights entitling such acquirer to exercise 25% or more of the voting rights in a target company, has to disclose to the target company and to stock exchanges in which the shares of the target company are listed, their aggregate shareholding and voting rights as of the thirty-first day of March, in such target company within seven working days from the end of the financial year of that company.

The acquisition of shares or voting rights that entitles the acquirer to exercise 25% or more of the voting rights in or control over the target company triggers a requirement for the acquirer to make an open offer to acquire additional shares representing at least 26% of the total shares of the target company for an offer price determined as per the provisions of the 2011 Takeover Code. The acquirer is required to make a public announcement for an open offer on the date on which it is agreed to acquire such shares or voting rights. Such open offer shall only be for such number of shares as is required to adhere to the maximum permitted non-public shareholding.

Since we are a listed company in India, the provisions of the 2011 Takeover Code will apply to us and to any person acquiring our ADSs, equity shares or voting rights in our company.

We have entered into listing agreements with each of the Indian stock exchanges on which our equity shares are listed, pursuant to which we must report to the stock exchanges any disclosures made to us pursuant to the 2011 Takeover Code.

Although the provisions of the listing agreements entered into between us and the Indian stock exchanges on which our equity shares are listed will not apply to equity shares represented by ADSs, holders of ADSs may be required to comply with such notification and disclosure obligations pursuant to the provisions of the Deposit Agreement entered into by such holders, our company and the depositary of our ADRs.

Subsequent transfer of shares

A person resident outside India holding the shares or debentures of an Indian company may transfer the shares or debentures so held by him, in compliance with the conditions specified in the relevant Schedule of Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 (the Foreign Exchange Management Regulations) as follows:

(i) A person resident outside India, not being a NRI or an OCB, may transfer by way of sale or gift, the shares or convertible debentures held by him or it to any person resident outside India;

(ii) A NRI may transfer by way of sale or gift, the shares or convertible debentures held by that person to another NRI; provided that the person to whom the shares are being transferred has obtained prior permission of the Government of India to acquire the shares if he has a previous venture or tie up in India through an investment in shares or debentures or a technical collaboration or a trade mark agreement or investment by whatever name called in the same field or allied field in which the Indian company whose shares are being transferred is engaged. Provided further that the restriction in clauses (i) and (ii) shall not apply to the transfer of shares to international financial institutions such as Asian Development Bank (ADB), International Finance Corporation (IFC), Commonwealth Development Corporation (CDC), Deutsche Entwicklungs Gesselschaft (DEG) and transfer of shares of an Indian company engaged in the Information Technology sector.

However, a transfer of shares from a NRI to a non-resident (who is not a not a NRI or OCB) requires the prior approval of the Reserve Bank of India.

(iii) A person resident outside India holding the shares or convertible debentures of an Indian company in accordance with the Foreign Exchange Management Regulations, (a) may transfer such shares or convertible debentures to a person resident in India by way of gift; or (b) may sell such shares or convertible debentures on a recognized Stock Exchange in India through a registered broker.

Restrictions for subsequent transfers of shares of Indian companies between residents and non-residents (other than OCBs) were relaxed significantly as of October 2004. As a result, for a transfer between a resident and a non-resident of securities of an Indian company, no prior approval of either the RBI or the Government of India is required, as long as certain conditions are met.

Table of Contents

ADS guidelines

Shares of Indian companies represented by ADSs may be approved for issuance to foreign investors by the Government of India under the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depositary Receipt Mechanism) Scheme, 1993 (the 1993 Scheme), as modified from time to time, promulgated by the Government of India. The 1993 Scheme is in addition but without prejudice to the other policies or facilities, as described below, relating to investments in Indian companies by foreign investors. The issuance of ADSs pursuant to the 1993 Scheme also affords to holders of the ADSs the benefits of Section 115AC of the Income Tax Act, 1961 for purpose of the application of Indian tax laws. In March 2001, the RBI issued a notification permitting, subject to certain conditions, two-way fungibility of ADSs. This notification provides that ADSs converted into Indian shares can be converted back into ADSs, subject to compliance with certain requirements and the limits of sectoral caps.

The Ministry of Finance, Government of India, has enacted The Depository Receipts Scheme, 2014 (the Depository Receipts Scheme) effective as of December 15, 2014. In order to facilitate the issuance of depository receipts by Indian companies outside India, the Depository Receipts Scheme repeals the former provisions dealing with depository receipts in the Foreign Currency Convertible Bonds and Ordinary Shares (Through Depositary Receipt Mechanism) Scheme, 1993. The Depository Receipts Scheme now governs the issue or transfer of permissible securities to a foreign depository by eligible persons and defines the rights and duties of a foreign depository and obligations of a domestic custodian.

Fungibility of ADSs

A registered broker in India can purchase shares of an Indian company that issued ADSs, on behalf of a person residing outside India, for the purposes of converting the shares into ADSs.

The Depository Receipts Scheme states that the aggregate of permissible securities which may be issued or transferred to foreign depositories for issue of depository receipts, along with permissible securities already held by persons resident outside lndia, shall not exceed the limit on foreign holding of such permissible securities under the Foreign Exchange Management Act, 1999. However, the Depository Receipts Scheme has not yet been fully implemented.

Transfer of ADSs

A person resident outside India may transfer ADSs held in Indian companies to another person resident outside India without any permission. A person resident in India is not permitted to hold ADSs of an Indian company, except in connection with the exercise of stock options.

Shareholders resident outside India who intend to sell or otherwise transfer equity shares within India should seek the advice of Indian counsel to understand the requirements applicable at that time.

The RBI placed various restrictions on the eligibility of OCBs to make investments in Indian companies in AP (DIR) Series Circular No. 14 dated September 16, 2003. For further information on these restrictions, the circular is available on www.rbi.org.in for review.

10.E. ***Taxation***

Indian Taxation

General. The following summary is based on the law and practice of the Income-tax Act, 1961 (the Income-tax Act), including the special tax regime contained in Sections 115AC and 115ACA of the Income-tax Act read with the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993 (collectively, the Income-tax Act Scheme), as amended on January 19, 2000. The Income-tax Act is amended every year by the Finance Act of the relevant year. Some or all of the tax consequences of Sections 115AC and 115ACA may be amended or changed by future amendments to the Income-tax Act.

We believe this information is materially complete as of the date hereof. However, this summary is not intended to constitute an authoritative analysis of the individual tax consequences to non-resident holders or employees under Indian law for the acquisition, ownership and sale of ADSs and equity shares.

Table of Contents

EACH PROSPECTIVE INVESTOR SHOULD CONSULT TAX ADVISORS WITH RESPECT TO TAXATION IN INDIA OR THEIR RESPECTIVE LOCATIONS ON ACQUISITION, OWNERSHIP OR DISPOSING OF EQUITY SHARES OR ADSS.

Residence. For purposes of the Income-tax Act, an individual is considered to be a resident of India during any fiscal year (i.e., April 1 to March 31) if he or she is in India in that year for:

a period or periods of at least 182 days; or

at least 60 days and, within the four preceding fiscal years has been in India for a period or periods amounting to at least 365 days.

The period of 60 days referred to above shall be 182 days in case of a citizen of India or a Person of Indian Origin living outside India for the purpose of employment outside India who is visiting India.

A company is a resident of India under the Income-tax Act if it is formed or registered in India or the control and the management of its affairs is situated wholly in India. Individuals and companies that are not residents of India would be treated as non-residents for purposes of the Income-tax Act.

Taxation of Distributions.

a) As per Section 10(34) of the Income-tax Act, dividends paid by Indian companies to their shareholders (whether resident in India or not) are not subject to tax in the hands of the shareholders. For periods prior to March 31, 2013, Indian companies were liable to pay a dividend distribution tax (DDT) at the rate of 16.22%, inclusive of applicable surcharges and a special levy called the Education and Higher Education Cess (hereinafter, the education cess). Effective April 1, 2013, the Finance Act, 2013 increased the surcharge on the DDT from 5% to 10%, which resulted in an increase in the effective rate of DDT from 16.22% to 16.995%. The Finance Act (No 2) 2014 amended section 115-O, which requires grossing up of the dividend amount distributed for purposes of computing DDT. Pursuant to the amendment, effective October 1, 2014, the effective rate of DDT increased from 16.995% to 19.994%, inclusive of surcharge and cess, and as a result, dividend amounts receivable by our shareholders after taxes are reduced. Furthermore, as a result of the increase in rate of surcharge in the Finance Act, 2015, effective April 1, 2015, the effective rate of DDT has further increased from 19.994% to 20.3576%.

b) Any distributions of additional ADSs or equity shares by way of bonus shares (i.e., stock dividends) to resident or non- resident holders will not be subject to Indian tax.

Taxation of Capital Gains. The following is a brief summary of capital gains taxation of non-resident holders and resident employees relating to the sale of ADSs and equity shares received upon redemption of ADSs. The relevant provisions are contained mainly in sections 10(36), 10(38), 45, 47(viia), 111A, 115AC and 115ACA, of the Income-tax Act, in conjunction with the Income- tax Scheme. *You should consult your own tax advisor concerning the tax consequences of your particular situation.*

A non-resident investor transferring our ADS or equity shares, outside India to a non-resident investor, will not be liable for income taxes arising from capital gains on such ADS or equity shares under the provisions of the Income-tax Act in certain circumstances. Equity shares (including equity shares issuable on the conversion of the ADSs) held by the non-resident investor for a period of more than 12 months are treated as long-term capital assets. If the equity shares are held for a period of less than 12 months from the date of conversion of the ADSs, the capital gains arising on the sale thereof is to be treated as short-term capital gains.

Capital gains are taxed as follows:

gains from a sale of ADSs outside India by a non-resident to another non-resident are not taxable in India;

long-term capital gains realized by a resident from the transfer of the ADSs will be subject to tax at the rate of 10%, plus the applicable surcharge and education cess; short-term capital gains on such a transfer will be taxed at graduated rates with a maximum of 30%, plus the applicable surcharge and education cess;

long-term capital gains realized by a non-resident upon the sale of equity shares obtained from the conversion of ADSs are subject to tax at a rate of 10%, excluding the applicable surcharge and education cess; and short-term capital gains on such a transfer will be taxed at the rate of tax applicable to the seller; and

Table of Contents

long-term capital gain realized by a non-resident upon the sale of equity shares obtained from the conversion of ADSs is exempt from tax and any short term capital gain is taxed at 15%, excluding the applicable surcharge and education cess, if the sale of such equity shares is settled on a recognized stock exchange and securities transaction tax (STT) is paid on such sale.

As per the Finance Act, 2013, the rate of surcharge for Indian companies having total taxable income exceeding Rs.10,000,000 but not exceeding Rs.100,000,000 is 5% and in the case of Indian companies whose total taxable income is greater than Rs.100,000,000, the applicable surcharge is 10%. For foreign companies, the rate of surcharge is 2% if the total taxable income exceeds Rs.10,000,000 but does not exceed Rs.100,000,000 and it is 5% if the total taxable income of the foreign company exceeds Rs.100,000,000.

As per Section 10(38) of the Income-tax Act, long term capital gains arising from the transfer of equity shares on or after October 1, 2004 in a company completed through a recognized stock exchange in India and on which sale the STT has been paid are exempt from Indian tax.

As per Section 111A of the Income-tax Act, short term capital gains arising from the transfer of equity shares on or after October 1, 2004 in a company completed through a recognized stock exchange in India are subject to tax at a rate of 15%, plus applicable surcharge and education cess.

As per the Finance Act, 2004, as modified by the Finance Act, 2008 and the Finance Act, 2013, in a sale and purchase of securities entered into through a recognized stock exchange, a Securities Transaction Tax (STT) may be imposed upon one or both of the parties as follows:

With respect to a sale and purchase of equity shares (i) both the buyer and seller are required to pay a STT at the rate of 0.1% of the transaction value of the securities, if the transaction is a delivery based transaction (i.e., the transaction involves actual delivery or transfer of shares); or (ii) the seller of the shares is required to pay a STT at the rate of 0.025% of the transaction value of the securities, if the transaction is a non-delivery based transaction (i.e., the transaction is settled without taking delivery of the shares).

With respect to a sale and purchase of an option with respect to securities (i) upon the sale of the option, the seller is required to pay a STT at the rate of 0.017% of the option premium; and (ii) upon exercise of the option, the buyer is required to pay a STT at the rate of 0.125% of the settlement price.

With respect to a sale and purchase of futures with respect to securities, the seller is required to pay a STT at the rate of 0.01% of the transaction value.

The applicable provisions of the Income Tax Act, in the case of non-residents, may offset the above taxes, except the STT. The capital gains tax is computed by applying the appropriate tax rates to the difference between the sale price and the purchase price of the equity shares or ADSs. Under the Income-tax Scheme, the purchase price of equity shares in an Indian listed company received in exchange for ADSs will be the market price of the underlying shares on the date that the Depositary gives notice to the custodian of the delivery of the equity shares in exchange for the corresponding ADSs, or the stepped up basis purchase price. The market price will be the price of the equity shares prevailing on the Stock Exchange, Mumbai or the National Stock Exchange. There is no corresponding provision under the Income-tax Act in relation to the stepped up basis for the purchase price of equity shares. However, the tax department in India has not denied this benefit. In the event that the tax department denies this benefit, the original purchase price of ADSs would be considered the purchase price for computing the capital gains tax.

According to the Income-tax Scheme, a non-resident holder s holding period for the purposes of determining the applicable Indian capital gains tax rate relating to equity shares received in exchange for ADSs commences on the date of the notice of the redemption by the Depositary to the custodian. However, the Income-tax Scheme does not address this issue in the case of resident employees, and it is therefore unclear as to when the holding period for the purposes of determining capital gains tax commences for such a resident employee.

It is unclear as to whether section 115AC of the Income Tax Act and the rest of the Income-tax Scheme are applicable to a non- resident who acquires equity shares outside India from a non-resident holder of equity shares after receipt of the equity shares upon redemption of the ADSs.

Table of Contents

It is unclear as to whether capital gains derived from the sale of subscription rights or other rights by a non-resident holder not entitled to an exemption under a tax treaty will be subject to Indian capital gains tax. If such subscription rights or other rights are deemed by the Indian tax authorities to be situated within India, the gains realized on the sale of such subscription rights or other rights will be subject to Indian taxation. The capital gains realized on the sale of such subscription rights or other rights, which will generally be in the nature of short-term capital gains, will be subject to tax (i) at variable rates with a maximum rate of 40%, excluding the prevailing surcharge and education cess, in the case of a foreign company and (ii) at the rate of 30% excluding the prevailing surcharge and education cess in the case of resident employees.

Withholding Tax on Capital Gains. Any gain realized by a non-resident or resident employee on the sale of equity shares is subject to Indian capital gains tax, which, in the case of a non-resident is to be withheld at the source by the buyer. However, as per the provisions of Section 196D(2) of the Income-tax Act, no withholding tax is required to be deducted from any income by way of capital gains arising to FIIs (as defined in Section 115AD of the Act) on the transfer of securities (as defined in Section 115AD of the Act).

Buy-back of Securities. Indian companies are not subject to any tax on the buy-back of their shares. However, the shareholders are taxed on any resulting gains. We are required to deduct tax at the source according to the capital gains tax liability of a non-resident shareholder. Furthermore, in the case of a buy-back of unlisted securities as per section 115QA of the Finance Act 2013, unlisted domestic companies are subject to tax on the buy-back of their securities. However, section 10(34A) of the Finance Act 2013 exempts shareholders from the gain, if any, arising from such transaction.

Stamp Duty and Transfer Tax. Upon issuance of the equity shares underlying our ADSs, we are required to pay a stamp duty of Rs.0.3 per share certificate evidencing such underlying equity shares. A transfer of ADSs is not subject to Indian stamp duty. A sale of equity shares in physical form by a non-resident holder is also subject to Indian stamp duty at the rate of 0.25% of the market value of the equity shares on the trade date, although customarily such duty is borne by the transferee. Shares must be traded in dematerialized form. The issuance or transfer of shares in dematerialized form is currently not subject to stamp duty.

Wealth Tax. The holding of the ADSs and the holding of underlying equity shares by resident and non-resident holders will be exempt from Indian wealth tax. Non-resident holders are advised to consult their own tax advisors regarding the taxation of ADS in their country of residence.

Gift Tax and Estate Duty. Currently, there are no gift taxes or estate duties. These taxes and duties could be restored in future. Non-resident holders are advised to consult their own tax advisors regarding this issue.

Service Tax. Brokerage fees or commissions paid to stockbrokers in connection with the sale or purchase of shares is subject to a service tax of 12.36%. The stockbroker is responsible for collecting the service tax from the shareholder and paying it to the relevant authority. Effective June 1, 2015, the Finance Act 2015 increased the rate of service tax from 12.36% (inclusive of surcharge and cess) to a consolidated rate of 14%. Furthermore, the Finance Act 2015 has also introduced a Swachh Bharat Cess on all or certain taxable services (as determined by the revenue department of the Government of India) at a rate of 2% on the value of such taxable services, the notification for which is still awaited.

United States Federal Taxation

The following is a summary of the material U.S. federal income and estate tax consequences that may be relevant with respect to the acquisition, ownership and disposition of equity shares or ADSs and is for general information only.

This summary addresses the U.S. federal income and estate tax considerations of holders that are U.S. holders. U.S. holders are beneficial holders of equity shares or ADSs who are (i) citizens or residents of the United States, (ii) corporations (or other entities treated as corporations for U.S. federal tax purposes) created in or organized in the United States or under the laws of the United States or any state thereof or any political subdivision thereof or therein, (iii) estates, the income of which is subject to U.S. federal income taxation regardless of its source, and (iv) trusts having a valid election to be treated as U.S. persons in effect under U.S. Treasury Regulations or for which a U.S. court exercises primary supervision and a U.S. person has the authority to control all substantial decisions.

This summary is limited to U.S. holders who will hold equity shares or ADSs as capital assets (generally, property held for investment). In addition, this summary is limited to U.S. holders who are not resident in India for purposes of the Convention between the Government of the United States of America and the Government of the Republic of India for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion With Respect to Taxes on Income. If a partnership, including any entity treated as a partnership for U.S. federal income tax purposes, holds the equity shares or ADSs, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. A partner in a partnership holding equity shares or ADSs should consult his, her or its own tax advisor regarding the tax treatment of an investment in the equity shares or ADSs.

Table of Contents

This summary does not address tax considerations applicable to holders that may be subject to special tax rules, such as banks, insurance companies, certain financial institutions, regulated investment companies, real estate investment trusts, broker dealers, traders in securities that elect to use the mark to-market method of accounting, United States expatriates, persons liable for alternative minimum tax, persons holding ADSs or equity shares through partnerships or other pass-through entities, persons that have a functional currency other than the U.S. dollars, tax-exempt entities, persons that will hold equity shares or ADSs as a position in a straddle, hedging, conversion or integrated transaction or holders of 10% or more, by voting power or value, of our shares. This summary is based on the U.S. Internal Revenue Code of 1986, as amended and as in effect on the date of this Annual Report on Form 20-F and on United States Treasury Regulations in effect or, in some cases, proposed, as of the date of this Annual Report on Form 20-F, as well as judicial and administrative interpretations thereof available on or before such date, and is based in part on the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms. All of the foregoing is subject to change, which change could apply retroactively, or the Internal Revenue Service may interpret existing authorities differently, any of which could affect the tax consequences described below. This summary does not address the U.S. federal tax laws other than income or estate tax, and does not address U.S. state or local or non-U.S. tax laws.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN TAX ADVISOR WITH RESPECT TO THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF ACQUIRING, OWNING OR DISPOSING OF EQUITY SHARES OR ADSS.

Ownership of ADSs. For U.S. federal income tax purposes, holders of ADSs will generally be treated as the holders of equity shares represented by such ADSs. Accordingly, the conversion of ADSs into equity shares will not be subject to United States federal income tax.

Dividends. Subject to the passive foreign investment company rules described below, except for ADSs or equity shares, if any, distributed pro rata to all of our shareholders, including holders of ADSs, the gross amount of any distributions of cash or property with respect to ADSs or equity shares (before reduction for any Indian withholding taxes) will generally be included in income by a U.S. holder as foreign source dividend income at the time of receipt, which in the case of a U.S. holder of ADSs generally should be the date of receipt by the Depositary, to the extent such distributions are made from our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Such dividends will not be eligible for the dividends received deduction generally allowed to corporate U.S. holders in respect of dividends received from other United States corporations. To the extent, if any, that the amount of any distribution by us exceeds our current and accumulated earnings and profits (as determined under U.S. federal income tax principles) such excess will be treated first as a tax-free return of capital to the extent of the U.S. holder s tax basis in the equity shares or ADSs, and thereafter as capital gain.

With respect to certain non-corporate U.S. holders, subject to certain limitations, including certain limitations based on taxable income and filing status, qualifying dividends paid to non-corporate U.S. holders, including individuals, may be eligible for a reduced rate of taxation if we are deemed to be a qualified foreign corporation for United States federal income tax purposes and certain holding period requirements are met (including the requirement that the non-corporate U.S. holder holds the ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date). A qualified foreign corporation includes a foreign corporation if (1) its shares (or, according to legislative history, its ADSs) are readily tradable on an established securities market in the United States or (2) it is eligible for the benefits under a comprehensive income tax treaty with the United States. In addition, a corporation is not a qualified foreign corporation if it is a passive foreign investment company (as discussed below) for either its taxable year in which the dividend is paid or the preceding taxable year. Our ADSs are traded on the New York Stock Exchange, an established securities market in the United States as identified by Internal Revenue Service guidance. Due to the absence of specific statutory provisions addressing ADSs, however, there can be no assurance that we are a

qualified foreign corporation solely as a result of our listing on the New York Stock Exchange. Nonetheless, we may be eligible for benefits under the comprehensive income tax treaty between India and the United States.

EACH U.S. HOLDER SHOULD CONSULT ITS OWNS TAX ADVISOR REGARDING THE TREATMENT OF DIVIDENDS AND SUCH HOLDER S ELIGIBILITY FOR REDCUED RATE OF TAXATION UNDER THE LAW IN EFFECT FOR THE YEAR OF THE DIVIDEND.

Table of Contents

Qualifying dividends will generally be taxed at a maximum rate of 15%. However, (i) individuals with taxable income above $400,000 and (ii) married couples filing joint returns with taxable income above $450,000 will be subject to tax at the rate of 20% on qualifying dividends. Further, individuals with taxable income less than $39,600 and married couple filing joint returns with taxable income less than $73,800 will be subject to tax at the rate of 0% on qualifying dividends. Each U.S. holder should consult its own tax advisor regarding the treatment of dividends and such holder s eligibility for a reduced rate of taxation.

Subject to certain conditions and limitations, any Indian withholding tax imposed upon distributions paid to a U.S. holder with respect to ADSs or equity shares may be eligible for credit against the U.S. holder s federal income tax liability. Alternatively, a U.S. holder may claim a deduction for such amount, but only for a year in which a U.S. holder does not claim a credit with respect to any foreign income taxes. The overall limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, distributions on ADSs or equity shares generally will be foreign source income, and will be passive category income or general category income for purposes of computing the United States foreign tax credit allowable to a U.S. holder. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

If dividends are paid in Indian rupees, the amount of the dividend distribution included in the income of a U.S. holder will be in the U.S. dollar value of the payments made in Indian rupees, determined at a spot exchange rate between Indian rupees and U.S. dollars applicable to the date such dividend is included in the income of the U.S. holder, regardless of whether the payment is in fact converted into U.S. dollars. Generally, gain or loss, if any, resulting from currency exchange fluctuations during the period from the date the dividend is paid to the date such payment is converted into U.S. dollars will be treated as U.S. source ordinary income or loss.

Sale or exchange of equity shares or ADSs. Subject to the passive foreign investment company rules described below, a U.S. holder generally will recognize gain or loss on the sale or exchange of equity shares or ADSs equal to the difference between the amount realized on such sale or exchange and the U.S. holder s adjusted tax basis in the equity shares or ADSs, as the case may be. Such gain or loss will be capital gain or loss, and will be long-term capital gain or loss if the equity shares or ADSs, as the case may be, were held for more than one year. Gain or loss, if any, recognized by a U.S. holder generally will be treated as U.S. source passive category income or loss for U.S. foreign tax credit purposes. In the case of capital losses, a U.S. holder is eligible to claim a capital loss deduction subject to significant limitations. If a U.S. holder is unable to claim these losses on its, his or her U.S. Federal Tax Return, the U.S. holder may be eligible to carryover the amount of the unused capital loss to future years, subject to additional limitations provided under U.S. tax regulations. Capital gains realized by a U.S. holder upon the sale of equity shares (but not ADSs) may be subject to certain tax in India. See Taxation-Indian Taxation-Taxation of Capital Gains. Due to limitations on foreign tax credits, however, a U.S. holder may not be able to utilize any such taxes as a credit against the U.S. holder s federal income tax liability.

Estate taxes. An individual U.S. holder who is a citizen or resident of the United States for U.S. federal estate tax purposes may have the value of the equity shares or ADSs held by such holder included in his or her gross estate for U.S. federal estate tax purposes. An individual holder who actually pays Indian estate tax with respect to the equity shares will, however, be entitled to credit the amount of such tax against his or her U.S. federal estate tax liability, subject to a number of conditions and limitations.

Additional Tax on Investment Income. U.S. holders that are individuals, estates or trusts and whose income exceeds certain thresholds will be subject to a 3.8% Medicare contribution tax on unearned income, including, among other things, dividends on, and capital gains from the sale or other taxable disposition of, equity shares or ADSs, subject to certain limitations and exceptions.

Backup withholding tax and information reporting requirements. Any dividends paid on, or proceeds from a sale of, equity shares or ADSs to or by a U.S. holder may be subject to U.S. information reporting, and a backup withholding tax (currently at a rate of 28%) may apply unless the holder establishes that he, she or it is an exempt recipient or provides a U.S. taxpayer identification number and certifies under penalty of perjury that such number is correct and that such holder is not subject to backup withholding and otherwise complies with any applicable backup withholding requirements. Any amount withheld under the backup withholding rules will be allowed as a refund or credit against the holder s U.S. federal income tax liability, provided that the required information is timely furnished to the Internal Revenue Service.

Certain U.S. holders are required to report information with respect to their investment in equity shares or ADSs not held through a custodial account with a U.S. financial institution on Internal Revenue Service Form 8938, which must be attached to the U.S. holder s annual income tax return. Investors who fail to report required information could become subject to substantial penalties. Each U.S. holder should consult its tax advisor concerning its obligation to file new Internal Revenue Service Form 8938.

Table of Contents

Passive foreign investment company. A non-U.S. corporation will be classified as a passive foreign investment company for U.S. Federal income tax purposes if either:

- 75% or more of its gross income for the taxable year is passive income; or
- at least 50% of the total value of its assets (based on an average of the quarterly values of the assets during such year) is attributable to assets, including cash, which produce passive income or are held for the production of passive income.

We do not believe that we satisfy either of the tests for passive foreign investment company status for the current fiscal year ended March 31, 2015. Because this determination is made on an annual basis and depends on a variety of factors (including the value of the ADS), no assurance can be given that we will not be considered a passive foreign investment company in future taxable years. If we were to be a passive foreign investment company for any taxable year, U.S. holders:

- may be subject to special tax rules on excess distributions, as the term is defined in relevant provisions of the U.S. tax laws, and on any gain on a sale or other disposition of ADSs or equity shares;
- may avoid the excess distribution rules by making a qualified electing fund election (as the term is defined in relevant provisions of the U.S. tax laws) and including in their taxable income their pro rata share of undistributed amounts of our income;
- may avoid the excess distribution rules if the equity shares are marketable by making a mark-to-market election, in which case the U.S. holder must mark-to-market the equity shares each taxable year and recognize ordinary gain and, to the extent of prior ordinary gain, ordinary loss for the increase or decrease in market value for such taxable year; or
- may be subject to additional annual return requirements and may be required to file Internal Revenue Service Form 8621.

If we are treated as a passive foreign investment company, we do not plan to provide information necessary for the U.S. holder to make a qualified electing fund election.

THE ABOVE SUMMARY IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP OF EQUITY SHARES OR ADSS. YOU SHOULD CONSULT YOUR OWN TAX ADVISOR CONCERNING THE TAX CONSEQUENCES TO YOU BASED ON YOUR PARTICULAR SITUATION.

10.F. ***Dividends and paying agents***

Not applicable.

10.G. ***Statements by experts***

Not applicable.

10.H. ***Documents on display***

This report and other information filed or to be filed by us can be inspected and copied at the public reference facilities maintained by the SEC at Room 1200, 450 Fifth Street, Washington, DC, U.S.A. These reports and other information may also be accessed via the SEC s website at www.sec.gov.

Additionally, documents referred to in this Form 20-F may be inspected at our corporate office, which is located at 8-2-337, Road No. 3, Banjara Hills, Hyderabad, 500 034, India

10.I. ***Subsidiary information***

Not applicable.

Table of Contents

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss of future earnings or fair values or future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates and other market changes that affect market risk sensitive instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and long term debt. We are exposed to market risk primarily related to foreign exchange rate risk, interest rate risk and the market value of our investments. Thus, our exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currency. The objective of market risk management is to avoid excessive exposure in our foreign currency revenues and costs.

Our Board of Directors and its Audit Committee are responsible for overseeing our risk assessment and management policies. Our major market risks of foreign exchange, interest rate and counter-party risk are managed centrally by our group treasury department, which evaluates and exercises independent control over the entire process of market risk management.

We have a written treasury policy, and we do regular reconciliations of our positions with our counter-parties. In addition, internal audits of the treasury function are performed at regular intervals.

Components of Market Risk

Foreign Exchange Rate Risk

Our foreign exchange risk arises from our foreign operations, foreign currency revenues and expenses (primarily in U.S. dollars, Russian roubles, Venezuelan bolivars, British pound sterling and Euros) and foreign currency borrowings in U.S. dollars, Russian roubles and Euros. A significant portion of our revenues are in these foreign currencies, while a significant portion of our costs are in Indian rupees. As a result, if the value of the Indian rupee appreciates relative to these foreign currencies, our 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, we use 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 our highly probable forecasted transactions and recognized assets and liabilities. We do not use derivative financial instruments for trading or speculative purposes.

We had the following derivative financial instruments to hedge the foreign exchange rate risk as of March 31, 2015:

Category	Instrument	Currency	Cross Currency	Amounts in millions	Buy/Sell
Hedges of recognized assets and liabilities	Forward contract	USD	RON	USD 10.0	Buy
	Forward contract	USD	INR	USD 146.9	Sell
	Forward contract	USD	RUB	USD 20.0	Buy
	Forward contract	USD	RUB	USD 20.0	Sell
	Forward contract	EUR	USD	EUR 35.0	Sell
	Forward contract	EUR	USD	EUR 6.0	Buy
	Option contract	USD	INR	USD 90.0	Sell

Hedges of highly probable forecasted transactions	Forward contract	USD	INR	USD 30.0	Sell
	Forward contract	RUB	INR	RUB 300.0	Sell
	Option contract	USD	INR	USD 250.0	Sell

Sensitivity Analysis of Exchange Rate Risk.

In respect of our forward, option 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 an approximately Rs.1,308/(631) million increase/(decrease) in our hedging reserve and an approximately Rs.1,598/(1,790) million increase/(decrease) in our net profit as at March 31, 2015.

Table of Contents

For a detailed analysis of our foreign exchange rate risk, please refer to Notes 29 and 30 in our consolidated financial statements.

Commodity Rate Risk

Our exposure to market risk with respect to commodity prices primarily arises from the fact that we are a purchaser and seller of active pharmaceutical ingredients and the components for such active pharmaceutical ingredients. These are commodity products whose prices can fluctuate sharply over short periods of time. The prices of our raw materials generally fluctuate in line with commodity cycles, though the prices of raw materials used in our active pharmaceutical ingredients business are generally more volatile. Raw material expense forms the largest portion of our operating expenses. We evaluate and manage our commodity price risk exposure through our operating procedures and sourcing policies. We have not entered into any material derivative contracts to hedge our exposure to fluctuations in commodity prices.

Interest Rate Risk

As of March 31, 2015, we had foreign currency loans of Rs.37,419 million carrying a floating interest rate. These loans expose us to risks of changes in interest rates. Our 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.

Interest Rate Profile.

The interest rate profile of our short term borrowings from banks is as follows:

	As at March 31,			
	2015		2014	
	Currency	Interest Rate	Currency	Interest Rate
Packing credit borrowings	USD	LIBOR + 10 to 40 bps	USD	LIBOR + 25 to 85 bps
	EURO	LIBOR + 7.5 to 20 bps	EURO	LIBOR + 20 bps
	RUB	9.80% to 22.30%	RUB	7.20% to 7.75%
			RUB	Mosprime + 60 bps
			INR	9.50% to 10%
Other foreign currency borrowings			EURO	LIBOR + 90 bps
Other rupee borrowings	INR	10%		

The interest rate profile of our long-term loans and borrowings is as follows:

	As at March 31,			
	2015		2014	
	Currency	Interest Rate	Currency	Interest Rate
Foreign currency borrowings	USD	LIBOR+100 to 125 bps	USD	LIBOR+100 to 179 bps

	GBP	LIBOR+130 bps	GBP	LIBOR+130 bps

Maturity profile.

The aggregate maturities of interest-bearing long term loans and borrowings, based on contractual maturities, as of March 31, 2015 are as follows:

Maturing in the year ending March 31,	**Foreign currency loan**	**Obligations under finance leases**	**Total**
2016	Rs.6,875	Rs.87	Rs.6,962
2017	4,177	89	4,266
2018	1,875	82	1,957
2019	7,500	48	7,548
2020		44	44
Thereafter		512	512
	Rs.20,427	**Rs.862**	**Rs.21,289**

Counter-party risk encompasses settlement risk on derivative contracts and credit risk on cash and term deposits (i.e., certificates of deposit). Exposure to these risks is closely monitored and kept within predetermined parameters. Our group treasury department does not expect any losses from non-performance by these counter-parties.

Table of Contents

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities.

Not applicable.

B. Warrants and Rights.

Not applicable.

C. Other Securities.

Not applicable.

Table of Contents

D. American Depositary Shares.

Fees and Charges for Holders of American Depositary Shares

J.P. Morgan Chase Bank, N.A., as the depositary for our ADSs (the Depositary), collects fees for the issuance and cancellation of ADSs from the holders of our ADSs, or intermediaries acting on their behalf, against the deposit or withdrawal of ordinary shares in the custodian account. The Depositary also collects the following fees from holders of ADRs or intermediaries acting in their behalf:

Category (as defined by SEC)	Depositary actions	Associated Fee
(a) Depositing or substituting the underlying shares	Issuing ADSs upon deposits of shares, including deposits and issuances in respect of share distributions, stock splits, rights, mergers, exchanges of securities or any other transaction or event or other distribution affecting the ADSs or the deposited shares.	U.S.$5.00 for each 100 ADSs (or portion thereof) evidenced by the new shares deposited.
(b) Receiving or distributing dividends	Distribution of dividends.	U.S.$0.02 or less per ADS (U.S.$2.00 per 100 ADSs).
(c) Selling or exercising rights	Distribution or sale of securities.	U.S.$5.00 for each 100 ADSs (or portion thereof), the fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities.
(d) Withdrawing an underlying security	Acceptance of ADSs surrendered for withdrawal of deposited shares.	U.S.$5.00 for each 100 ADSs (or portion thereof) evidenced by the shares withdrawn.
(e) Transferring, splitting or grouping receipts	Transfers, combining or grouping of depositary receipts.	U.S.$1.50 per ADS.
(f) General depositary services, particularly those charged on an annual basis.	Other services performed by the depositary in administering the ADSs.	U.S.$0.02 per ADS (or portion thereof) not more than once each calendar year.
(g) Other	Expenses incurred on behalf of holders in connection with:	The amount of such expenses incurred by the Depositary.
	compliance with foreign exchange control regulations or any law or regulation relating to foreign	

investment;

the depositary s or its custodian s compliance with applicable law, rule or regulation;

stock transfer or other taxes and other governmental charges;

cable, telex, facsimile transmission/delivery;

expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars (which are paid out of such foreign currency); or

any other charge payable by depositary or its agents.

Table of Contents

As provided in the Deposit Agreement, the Depositary may charge fees for making cash and other distributions to holders by deduction from distributable amounts or by selling a portion of the distributable property. The Depositary may generally refuse to provide services until its fees for those services are paid.

Fees paid by Depositary

Direct Payments

The Depositary has agreed to reimburse certain reasonable expenses related to our ADS program and incurred by us in connection with the program. In the year ended March 31, 2015, the Depositary reimbursed us an amount of U.S.$384,380.92 towards such expenses (inclusive of withholding tax of an amount of U.S.$115,314.28). The amounts the Depositary reimburses are not related to the fees collected by the Depositary from ADS holders. Under certain circumstances, including termination of our ADS program prior to May 11, 2015, we are required to repay to the Depositary amounts reimbursed in prior periods. The table below sets forth the types of expenses that the Depositary has agreed to reimburse us for and the amounts reimbursed during the fiscal year ended March 31, 2015.

Category of expenses	Amount reimbursed during the year ended March 31, 2015
Legal and accounting fees incurred in connection with preparation of Form 20-F and ongoing SEC compliance and listing requirements	U.S.$ 384,380.92
Listing fees	
Investor relations	
Advertising and public relations	
Broker reimbursements	

Indirect Payments

As part of its service to us, the Depositary has agreed to waive fees for the standard costs associated with the administration of our ADS program, associated operating expenses and investor relations advice which are estimated to total U.S.$300,000. The Depositary has also paid the following expenses on our behalf: U.S.$93,985.25. Under certain circumstances, including termination of our ADS program prior to May 11, 2015, we are required to repay to the Depositary amounts waived and/or expenses paid in prior periods. The table below sets forth the fees that the Depositary has agreed to waive and/or expenses that the Depositary has paid during the year ended March 31, 2015.

Category Expenses	Amount Reimbursed during the Year Ended March 31, 2015
Third-party expenses paid directly	U.S.$45,000 towards NYSE listing fee and U.S.$20,789.68 towards broker reimbursements[(1)], postage, printing and Depositary Trust Company report fees.

	These expenses are net of U.S.$28,195.57 towards withholding tax.
Fees waived	Up to U.S.$300,000 per year.

(1) Broker reimbursements are fees payable to Broadridge Financial Solutions, Inc. and other service providers for the distribution of hard copy materials to beneficial ADS holders in the Depositary Trust Company. Corporate material includes information related to shareholders meetings and related voting instruction cards.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Modification in the rights of security holders

None.

Use of Proceeds

Not applicable.

Table of Contents

ITEM 15. CONTROLS AND PROCEDURES

(a) *Disclosure Controls and Procedures*

As of the end of the period covered by this Annual Report on Form 20-F, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act).

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective, as of March 31, 2015, to provide reasonable assurance that the information required to be disclosed in filings and submissions under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by the SEC s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions about required disclosure.

(b) *Management s Annual Report on Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by the SEC, internal control over financial reporting is a process designed under the supervision of our principal executive and principal financial officers, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

Our internal control over financial reporting is supported by written policies and procedures, that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management conducted an assessment of the effectiveness of our internal control over financial reporting as of March 31, 2015 based on criteria established in Internal Control Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO Framework).

Based on this assessment, our management has concluded that our internal control over financial reporting was effective as of March 31, 2015.

The effectiveness of our internal control over financial reporting as of March 31, 2015 has been audited by KPMG, the independent registered public accounting firm that audited our financial statements, as stated in their report, a copy of which is included in this annual report on Form 20-F.

/s/G.V. Prasad
Co-Chairman and Chief Executive Officer

/s/Saumen Chakraborty
President and Chief Financial Officer

Table of Contents

(c) *Attestation Report of the Registered Public Accounting Firm.*

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Dr. Reddy s Laboratories Limited:

We have audited Dr. Reddy s Laboratories Limited s (the Company) internal control over financial reporting as of March 31, 2015, based on criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control 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. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2015, based on criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial position of Dr. Reddy s Laboratories Limited and subsidiaries as of March 31, 2015 and 2014, and the related consolidated income statement, statements of comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended March 31, 2015 and our report dated June 17, 2015 expressed an unqualified opinion on those consolidated financial statements.

KPMG

Hyderabad, India

June 17, 2015

Table of Contents

(d) *Changes in internal control over financial reporting*

There were no changes to our internal control over financial reporting that occurred during the period covered by this Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16.A. AUDIT COMMITTEE FINANCIAL EXPERT

The Audit Committee of our Board of Directors is entirely composed of independent directors and brings in expertise in the fields of finance, economics, human resource development, strategy and management. Please see Item 6. Directors, Senior Management and Employees for the experience and qualifications of the members of the Audit Committee of our Board of Directors. Our Board of Directors has determined that Mr. Sridar Iyengar is an audit committee financial expert, as defined in Item 401(h) of Regulation S-K, and is independent pursuant to applicable NYSE rules.

ITEM 16.B. CODE OF ETHICS

We have adopted a Code of Business Conduct and Ethics (the CoBE), which applies to all of the Directors, executive officers and employees of our company and its subsidiaries and affiliates. It is the responsibility of all Directors and employees to familiarize themselves with the CoBE and comply with its standards. The CoBE is available on our corporate website at http://www.drreddys.com/investors/cobe.html. We have formulated an Ombudsperson Policy which functions in coordination with the CoBE and provides guidance for employees and others to raise their concerns with stated designated personnel. The Ombudsperson Policy includes certain anti-retaliation safeguards designed to protect persons who use its mechanisms to raise concerns in good faith.

ITEM 16.C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth for the years ended March 31, 2015 and 2014, the fees paid to our principal accountant and its associated entities for various services they provided us in these periods.

Type of Service	Year Ended March 31, 2015 (Rs. in millions)	2014	Description of Services
Audit fees	Rs.78.13	Rs.80.42	Audit and review of financial statements
Audit related fees	6.40		Due diligence and other related services
Tax fees	1.40	1.21	Tax returns filing and transfer pricing related services
All other fees	1.87	1.47	Statutory certifications and other matters.
Total	**Rs.87.80**	**Rs.83.10**	

In accordance with the requirement of the charter of the Audit Committee of our Board of Directors, we obtain the prior approval of the Audit Committee on every occasion we engage our principal accountants or their associated entities to provide us any non-audit services. We disclose to the Audit Committee of our Board of Directors the nature of services that are provided and the fees to be paid for the services. The fees listed in the above table as Tax fees and All other fees were approved by the Audit Committee of our Board of Directors.

ITEM 16.D. EXEMPTION FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

We have not sought any exemption from the listing standards for audit committees applicable to us as a foreign private issuer.

ITEM 16.E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

During the year ended March 31, 2015, there was no purchase made by or on behalf of us or any affiliated purchaser of shares of any class of our securities that are registered by us pursuant to Section 12 of the Exchange Act.

Table of Contents

ITEM 16.F. CHANGE IN REGISTRANT S CERTIFYING ACCOUNTANT

None.

ITEM 16 G. CORPORATE GOVERNANCE

Companies listed on the New York Stock Exchange (NYSE) must comply with certain standards regarding corporate governance as codified in Section 303A of the NYSE s Listed Company Manual. Listed companies that are foreign private issuers (as such term is defined in Rule 3b-4 under the Securities Exchange Act of 1934, as amended (the Exchange Act)) are permitted to follow home country practice in lieu of the provisions of Section 303A, except that such companies are required to comply with the requirements of Sections 303A.06, 303A.11 and 303A.12(b) and (c), which are as follows:

(i) establish an independent audit committee that has specified responsibilities;

(ii) provide prompt certification by its chief executive officer of any non-compliance with any corporate governance rules;

(iii) provide periodic written affirmations to the NYSE with respect to its corporate governance practices; and

(iv) provide a brief description of significant differences between its corporate governance practices and those followed by U.S. companies.

The following table compares our principal corporate governance practices to those required of U.S. NYSE listed companies.

Standard for U.S. NYSE Listed Companies	Our practice
Listed companies must have a majority of independent directors, as defined by the NYSE.	We comply with this standard. Eight of our ten directors are independent directors, as defined by the NYSE.
The non-management directors of each listed company must meet at regularly scheduled executive sessions without management.	We comply with this standard. Our non-management directors meet periodically without management directors in scheduled executive sessions.
Listed companies must have a nominating/corporate governance committee composed entirely of independent directors. The nominating/corporate governance committee must have a written charter that is made available on the listed company s website and that addresses the committee s purpose and responsibilities, subject to the minimum purpose and responsibilities established by the NYSE, and an annual evaluation of the committee.	We have a Nomination, Governance and Compensation Committee composed entirely of independent directors that meets these requirements. The committee has a written charter that meets these requirements. We have evaluated the performance of the Nomination, Governance and Compensation Committee.

Listed companies must have a compensation committee composed entirely of independent directors. The compensation committee must have a written charter that is made available on the listed company s website and that addresses the committee s purpose and responsibilities, subject to the minimum purpose and responsibilities established by the NYSE, and an annual evaluation of the committee.	We have a Nomination, Governance and Compensation Committee composed entirely of independent directors that meets these requirements. The committee has a written charter that meets these requirements. We have evaluated the performance of our Nomination, Governance and Compensation Committee.
Listed companies must have an audit committee that satisfies the requirements of Rule 10A-3 under the Exchange Act.	Our Audit Committee satisfies the requirements of Rule 10A-3 under the Exchange Act.

Table of Contents

Standard for U.S. NYSE Listed Companies	Our practice
The audit committee must have a minimum of three members all being independent directors. The audit committee must have a written charter that is made available on the listed company s website and that addresses the committee s purpose and responsibilities, subject to the minimum purpose and responsibilities established by the NYSE, and an annual evaluation of the committee.	We have an Audit Committee composed of four members, all being independent directors. The committee has a written charter that meets these requirements. We also have an internal audit function. We have evaluated the performance of our Audit Committee.
Each listed company must have an internal audit function.	We have an internal audit function.
Shareholders must be given the opportunity to vote on all equity-compensation plans and material revisions thereto, with limited exceptions.	We comply with this standard. Our Employee Stock Option Plans were approved by our shareholders.
Listed companies must adopt and disclose corporate governance guidelines.	We have not adopted corporate governance guidelines.
All listed companies, U.S. and foreign, must adopt and disclose a code of business conduct and ethics for directors, officers and employees that is made available on the listed company s website and, and promptly disclose any waivers of the code for directors or executive officers.	We comply with this standard. More details on our Code of Business Conduct and Ethics are given under Item 16.B.
Listed companies must solicit proxies for all meetings of shareholders.	We do not solicit proxies because we are prohibited from doing so under Section 105 of the Indian Companies Act, 2013. However, we give each of our shareholders written notices of all of our shareholder meetings.
Listed foreign private issuers must disclose any significant ways in which their corporate governance practices differ from those followed by domestic companies under NYSE listing standards.	This requirement is being addressed by way of this table.
Each listed company CEO must certify to the NYSE each year that he or she is not aware of any violation by the company of NYSE corporate governance listing standards, qualifying the certification to the extent necessary.	We do not have such a practice.
Each listed company CEO must promptly notify the NYSE in writing after any executive officer of the listed company becomes aware of any non-compliance with any applicable provisions of this Section 303A.	There have been no such instances.
Each listed company must submit an executed Written Affirmation annually to the NYSE. In addition, each listed company must submit an interim Written Affirmation each time that any of the following occurs: an audit committee member who was deemed independent is no longer independent;	We filed our most recent annual written affirmation, in the form specified by NYSE, on July 2, 2014.

a member has been added to the audit committee;

the listed company or a member of its audit committee is eligible to rely on and is choosing to rely on a Securities Exchange Act Rule 10A-3 (Rule 10A-3) exemption;

Table of Contents

Standard for U.S. NYSE Listed Companies	Our practice
the listed company or a member of its audit committee is no longer eligible to rely on or is choosing to no longer rely on a previously applicable Rule 10A-3 exemption; a member has been removed from the listed company s audit committee resulting in the company no longer having a Rule 10A-3 compliant audit committee; or the listed company determined that it no longer qualifies as a foreign private issuer and will be considered a domestic company under Section 303A. The annual and interim Written Affirmations must be in the form specified by the NYSE.	

ITEM 16.H. MINE SAFETY DISCLOSURE

Not Applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

The following financial statement and auditor s report for the year ended March 31, 2015 are incorporated herein by reference and are included in this Item 18 of this report on Form 20-F:

Report of Independent Registered Public Accounting Firm	F-1
Consolidated statement of financial position as of March 31, 2015 and 2014	F-2
Consolidated income statement for the years ended March 31, 2015, 2014 and 2013	F-4
Consolidated statement of comprehensive income for the years ended March 31, 2015, 2014 and 2013	F-5
Consolidated statement of changes in equity for the years ended March 31, 2015, 2014 and 2013	F-6
Consolidated statement of cash flows for the years ended March 31, 2015, 2014 and 2013	F-9
Notes to the consolidated financial statements	F-10

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Dr. Reddy s Laboratories Limited:

We have audited the accompanying consolidated statement of financial position of Dr. Reddy s Laboratories Limited and subsidiaries (the Company) as of March 31, 2015 and 2014, and the related consolidated income statement, statements of comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended March 31, 2015. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2015, and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2015, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Dr. Reddy s Laboratories Limited s internal control over financial reporting as of March 31, 2015, based on criteria established in *Internal Control Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 17, 2015 expressed an unqualified opinion on the effectiveness of Dr. Reddy s Laboratories Limited s internal control over financial reporting.

KPMG

Hyderabad, India

June 17, 2015

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions, except share and per share data)

Particulars	Note	As of March 31, 2015 *Unaudited convenience translation into U.S.$ (See Note 2(d))*	As of March 31, 2015	As of March 31, 2014
ASSETS				
Current assets				
Cash and cash equivalents	14	U.S.$ 87	Rs. 5,394	Rs. 8,451
Other investments	10	550	34,259	25,083
Trade and other receivables	12	654	40,755	33,037
Inventories	11	410	25,529	23,992
Derivative financial instruments	29	13	800	554
Current tax assets		29	1,819	1,298
Other current assets	13	181	11,282	11,332
Total current assets		**U.S.$ 1,923**	**Rs. 119,838**	**Rs. 103,747**
Non-current assets				
Property, plant and equipment	6	U.S.$ 772	Rs. 48,090	Rs.44,424
Goodwill	7	54	3,380	3,428
Other intangible assets	8	209	13,050	11,269
Investment in equity accounted investees	9	17	1,033	806
Other investments non-current	10	45	2,817	0
Deferred tax assets	26	93	5,792	6,054
Other non-current assets	13	12	762	495
Total non-current assets		**U.S.$ 1,202**	**Rs. 74,924**	**Rs. 66,476**
Total assets		**U.S.$ 3,126**	**Rs. 194,762**	**Rs. 170,223**
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables	21	U.S.$ 171	Rs. 10,660	Rs. 10,503
Derivative financial instruments	29	7	462	305
Current tax liabilities		40	2,506	1,192
Short-term borrowings	17	351	21,857	20,607
Long-term borrowings, current portion	17	112	6,962	3,395

Provisions	20		68		4,231	2,819
Other current liabilities	22		278		17,317	15,242
Total current liabilities		**U.S.$**	**1,027**	**Rs.**	**63,995**	**Rs. 54,063**
Non-current liabilities						
Long-term borrowings, excluding current portion	17	U.S.$	230	Rs.	14,307	Rs. 20,740
Provisions non-current	20		1		53	92
Deferred tax liabilities	26		29		1,779	2,744
Other non-current liabilities	22		53		3,326	1,783
Total non-current liabilities		**U.S.$**	**312**	**Rs.**	**19,465**	**Rs. 25,359**
Total liabilities		**U.S.$**	**1,339**	**Rs.**	**83,460**	**Rs. 79,422**

The accompanying notes form an integral part of these consolidated financial statements.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions, except share and per share data)

Particulars	Note	As of March 31, 2015 *Unaudited convenience translation into U.S.$ (See Note 2(d))*	As of March 31, 2015	As of March 31, 2014
Equity				
Share capital	15	U.S.$ 14	Rs. 852	Rs. 851
Equity shares held by controlled trust				(5)
Share premium		356	22,178	21,553
Share based payment reserve		17	1,081	1,008
Retained earnings		1,342	83,643	65,051
Debenture redemption reserve				
Other components of equity		57	3,548	2,343
Total equity		**U.S.$ 1,786**	**Rs. 111,302**	**Rs. 90,801**
Total liabilities and equity		**U.S.$ 3,126**	**Rs. 194,762**	**Rs. 170,223**

The accompanying notes form an integral part of these consolidated financial statements.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT

(in millions, except share and per share data)

Particulars	Note	For the Year Ended March 31, 2015	2015	2014	2013
		Unaudited convenience translation into U.S.$ (See Note 2(d))			
Revenues	23	**U.S.$ 2,378**	**Rs. 148,189**	**Rs. 132,170**	**Rs. 116,266**
Cost of revenues		1,008	62,786	56,369	55,687
Gross profit		**1,371**	**85,403**	**75,801**	**60,579**
Selling, general and administrative expenses		683	42,585	38,783	34,272
Research and development expenses		280	17,449	12,402	7,674
Other (income)/expense, net	24	(15)	(917)	(1,416)	(2,479)
Total operating expenses		**949**	**59,117**	**49,769**	**39,467**
Results from operating activities		**422**	**26,286**	**26,032**	**21,112**
Finance income		45	2,774	1,674	1,478
Finance expense		(18)	(1,092)	(1,274)	(1,018)
Finance (expense)/income, net	25	**27**	**1,682**	**400**	**460**
Share of profit of equity accounted investees, net of tax	9	3	195	174	104
Profit before tax		**452**	**28,163**	**26,606**	**21,676**
Tax expense	26	(96)	(5,984)	(5,094)	(4,900)
Profit for the year		**356**	**22,179**	**21,512**	**16,776**
Attributable to:					
Equity holders of the Company		356	22,179	21,515	16,777
Non-controlling interest				(3)	(1)
Profit for the year		**U.S.$ 356**	**Rs. 22,179**	**Rs. 21,512**	**Rs. 16,776**
Earnings per share:	16				

Basic earnings per share of Rs.5/- each	U.S.$	2.09	Rs.	130.22	Rs.	126.52	Rs. 98.82
Diluted earnings per share of Rs.5/- each	U.S.$	2.08	Rs.	129.75	Rs.	126.04	Rs. 98.44
Weighted average number of equity shares used in computing earnings per share:	16						
Basic				170,314,506		170,044,518	169,777,458
Diluted				170,933,433		170,695,017	170,432,680

The accompanying notes form an integral part of these consolidated financial statements.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions, except share and per share data)

Particulars	For the Year Ended March 31,			
	2015	**2015**	**2014**	**2013**
	Unaudited convenience translation into U.S.$ (See Note 2(d))			
Profit for the year	**U.S.$ 356**	**Rs. 22,179**	**Rs. 21,512**	**Rs. 16,776**
Other comprehensive income/(loss)				
Items that will not be reclassified to profit or loss:				
Actuarial gains/(losses) on post-employment benefit obligations	U.S.$ (1)	Rs. (47)	Rs. 68	Rs. (211)
Tax on items that will not be reclassified to profit or loss	0	16	(20)	68
Total items that will not be reclassified to profit or loss	**U.S.$ (1)**	**Rs. (31)**	**Rs. 48**	**Rs. (143)**
Items that may be reclassified subsequently to profit or loss:				
Changes in fair value of available for sale financial instruments	U.S.$ 23	Rs. 1,429	Rs. 40	Rs. 34
Foreign currency translation adjustments	(3)	(196)	554	197
Effective portion of changes in fair value of cash flow hedges, net	2	99	(1,650)	1,697
Tax on items that may be reclassified subsequently to profit or loss	(2)	(96)	64	(741)
Total items that may be reclassified subsequently to profit or loss	**U.S.$ 20**	**Rs. 1,236**	**Rs. (992)**	**Rs. 1,187**
Other comprehensive income/(loss) for the year, net of tax	**U.S.$ 19**	**Rs. 1,205**	**Rs. (944)**	**Rs. 1,044**
Total comprehensive income for the year	**U.S.$ 375**	**Rs. 23,384**	**Rs. 20,568**	**Rs. 17,820**
Attributable to:				
Equity holders of the Company	375	23,384	20,567	17,822
Non-controlling interest			1	(2)
Total comprehensive income for the year	**U.S.$ 375**	**Rs. 23,384**	**Rs. 20,568**	**Rs. 17,820**

The accompanying notes form an integral part of these consolidated financial statements.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in millions, except share and per share data and where otherwise stated)

Particulars	Share capital		Share premium	Fair value reserve
	Shares	Amount	Amount	Amount
Balance as of April 1, 2012	**169,560,346**	**Rs. 848**	**Rs. 20,934**	**Rs. 30**
Issue of equity shares on exercise of options	276,129	1	280	
Share based payment expense				
Profit for the period				
Dividend paid (including corporate dividend tax)				
Transfer to debenture redemption reserve				
Net change in fair value of available for sale financial instruments, net of tax expense of Rs.12				22
Foreign currency translation adjustments, net of tax expense of Rs.7				
Effective portion of changes in fair value of cash flow hedges, net of tax expense of Rs.722				
Actuarial gain/(loss) on post-employment benefit obligations, net of tax benefit of Rs.68				
Non-controlling interest arising on business combination				
Acquisition of non-controlling interests				
Balance as of March 31, 2013	**169,836,475**	**Rs. 849**	**Rs. 21,214**	**Rs. 52**
Balance as of April 1, 2013	**169,836,475**	**Rs. 849**	**Rs. 21,214**	**Rs. 52**
Issue of equity shares on exercise of options	272,393	2	339	
Share based payment expense				
Profit for the period				
Dividend paid (including corporate dividend tax)				
Transfer to debenture redemption reserve				
Net change in fair value of available for sale financial instruments, net of tax				26

expense of Rs.14								
Foreign currency translation adjustments, net of tax expense of Rs.2								
Effective portion of changes in fair value of cash flow hedges, net of tax benefit of Rs.80								
Actuarial gain/(loss) on post-employment benefit obligations, net of tax expense Rs.20								
Acquisition of non-controlling interests								
Transfer to general reserve								
Balance as of March 31, 2014	**170,108,868**	**Rs.**	**851**	**Rs.**	**21,553**	**Rs.**	**78**
Balance as of April 1, 2014	**170,108,868**	**Rs.**	**851**	**Rs.**	**21,553**	**Rs.**	**78**
Issue of equity shares on exercise of options	272,306		1		429		
Share based payment expense							
Profit for the period							
Dividend paid (including corporate dividend tax)							
Sale of equity shares held by controlled trust[(1)]					196		
Net change in fair value of available for sale financial instruments, net of tax expense of Rs.366							1,063
Foreign currency translation adjustments, net of tax benefit of Rs.174							
Effective portion of changes in fair value of cash flow hedges, net of tax benefit of Rs.96							
Actuarial gain/(loss) on post-employment benefit obligations, net of tax benefit Rs.16							
Balance as of March 31, 2015	**170,381,174**	**Rs.**	**852**	**Rs.**	**22,178**	**Rs.**	**1,141**
Unaudited convenience translation into U.S.$ (See Note 2(d))		**U.S.$**	**14**	**U.S.$**	**356**	**U.S.$**	**18**

[Continued on next page]

The accompanying notes form an integral part of these consolidated financial statements.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in millions, except share and per share data and where otherwise stated)

[Continued from above table, first column repeated]

Particulars	Foreign currency translation reserve Amount	Hedging reserve Amount	Share based payment reserve Amount	Equity shares held by a controlled trust Amount
Balance as of April 1, 2012	**Rs. 3,737**	**Rs. (1,365)**	**Rs. 801**	**Rs. (5)**
Issue of equity shares on exercise of options			(280)	
Share based payment expense			390	
Profit for the period				
Dividend paid (including corporate dividend tax)				
Transfer to debenture redemption reserve				
Net change in fair value of available for sale financial instruments, net of tax expense of Rs.12				
Foreign currency translation adjustments, net of tax expense of Rs.7	191			
Effective portion of changes in fair value of cash flow hedges, net of tax expense of Rs.722		975		
Actuarial gain/(loss) on post-employment benefit obligations, net of tax benefit of Rs.68				
Non-controlling interest arising on business combination				
Acquisition of non-controlling interests				
Balance as of March 31, 2013	**Rs. 3,928**	**Rs. (390)**	**Rs. 911**	**Rs. (5)**
Balance as of April 1, 2013	**Rs. 3,928**	**Rs. (390)**	**Rs. 911**	**Rs. (5)**
Issue of equity shares on exercise of options			(339)	
Share based payment expense			436	
Profit for the period				
Dividend paid (including corporate dividend tax)				
Transfer to debenture redemption reserve				
Net change in fair value of available for sale financial instruments, net of tax expense of Rs.14				
Foreign currency translation adjustments, net of tax expense of Rs.2	549			

Effective portion of changes in fair value of cash flow hedges, net of tax benefit of Rs.80				(1,570)				
Actuarial gain/(loss) on post-employment benefit obligations, net of tax expense of Rs.20								
Acquisition of non-controlling interests								
Transfer to general reserve								
Balance as of March 31, 2014	**Rs.**	**4,477**	**Rs.**	**(1,960)**	**Rs.**	**1,008**	**Rs.**	**(5)**
Balance as of April 1, 2014	**Rs.**	**4,477**	**Rs.**	**(1,960)**	**Rs.**	**1,008**	**Rs.**	**(5)**
Issue of equity shares on exercise of options						(425)		
Share based payment expense						498		
Profit for the period								
Dividend paid (including corporate dividend tax)								
Sale of equity shares held by controlled trust[(1)]								5
Net change in fair value of available for sale financial instruments, net of tax expense of Rs.366								
Foreign currency translation adjustments, net of tax benefit of Rs.174		(22)						
Effective portion of changes in fair value of cash flow hedges, net of tax benefit of Rs.96				195				
Actuarial gain/(loss) on post-employment benefit obligations, net of tax benefit of Rs.16								
Balance as of March 31, 2015	**Rs.**	**4,455**	**Rs.**	**(1,765)**	**Rs.**	**1,081**	**Rs.**	
Unaudited convenience translation into U.S.$ (See Note 2(d))	**U.S.$**	**72**	**U.S.$**	**(28)**	**U.S.$**	**17**	**U.S.$**	

[Continued on next page]

The accompanying notes form an integral part of these consolidated financial statements.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in millions, except share and per share data and where otherwise stated)

[Continued from above table, first column repeated]

Particulars	Retained earnings Amount	Debenture redemption reserve Amount	Non-controlling interests Amount	Actuarial gains/ (losses) Amount	Total Amount
Balance as of April 1, 2012	**Rs. 31,599**	**Rs. 865**	**Rs.**	**Rs. (157)**	**Rs. 57,287**
Issue of equity shares on exercise of options					1
Share based payment expense					390
Profit for the period	16,777		(1)		16,776
Dividend paid (including corporate dividend tax)	(2,714)				(2,714)
Transfer to debenture redemption reserve	(846)	846			
Net change in fair value of available for sale financial instruments, net of tax expense of Rs.12					22
Foreign currency translation adjustments, net of tax expense of Rs.7			(1)		190
Effective portion of changes in fair value of cash flow hedges, net of tax expense of Rs.722					975
Actuarial gain/(loss) on post-employment benefit obligations, net of tax benefit of Rs.68				(143)	(143)
Non-controlling interest arising on business combination			132		132
Acquisition of non-controlling interests	(1)		(110)		(111)
Balance as of March 31, 2013	**Rs. 44,815**	**Rs. 1,711**	**Rs. 20**	**Rs. (300)**	**Rs. 72,805**
Balance as of April 1, 2013	**Rs. 44,815**	**Rs. 1,711**	**Rs. 20**	**Rs. (300)**	**Rs. 72,805**
					2

Issue of equity shares on exercise of options										
Share based payment expense										436
Profit for the period		21,515				(3)				21,512
Dividend paid (including corporate dividend tax)		(2,985)								(2,985)
Transfer to debenture redemption reserve		(828)		828						
Net change in fair value of available for sale financial instruments, net of tax expense of Rs.14										26
Foreign currency translation adjustments, net of tax expense of Rs.2						3				552
Effective portion of changes in fair value of cash flow hedges, net of tax benefit of Rs.80										(1,570)
Actuarial gain/(loss) on post-employment benefit obligations, net of tax expense of Rs.20								48		48
Acquisition of non-controlling interests		(5)				(20)				(25)
Transfer to general reserve		2,539		(2,539)						
Balance as of March 31, 2014	**Rs.**	**65,051**	**Rs.**		**Rs.**		**Rs.**	**(252)**	**Rs.**	**90,801**
Balance as of April 1, 2014	**Rs.**	**65,051**	**Rs.**		**Rs.**		**Rs.**	**(252)**	**Rs.**	**90,801**
Issue of equity shares on exercise of options										5
Share based payment expense										498
Profit for the period		22,179								22,179
Dividend paid (including corporate dividend tax)		(3,587)								(3,587)
Sale of equity shares held by controlled trust[(1)]										201
Net change in fair value of available for sale financial instruments, net of tax expense of Rs.366										1,063
Foreign currency translation adjustments, net of tax benefit of Rs.174										(22)
Effective portion of changes in fair value of cash flow hedges, net of tax benefit of Rs.96										195
Actuarial gain/(loss) on post-employment benefit obligations, net of tax benefit of Rs.16								(31)		(31)

Balance as of March 31, 2015	**Rs.**	**83,643**	**Rs.**		**Rs.**		**Rs.**	**(283)**	**Rs.**	**111,302**
Unaudited convenience translation into U.S.$ (See Note 2(d))	**U.S.$**	**1,342**	**U.S.$**		**U.S.$**		**U.S.$**	**(5)**	**U.S.$**	**1,786**

(1) During the year ended March 31, 2015, the Company disposed of all of the shares held by its controlled trust for a total consideration of Rs.201. A gain of Rs.196 arising from this transaction is recorded in share premium.

The accompanying notes form an integral part of these consolidated financial statements.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions, except share and per share data and where otherwise stated)

	For the Year Ended March 31,			
	2015	**2015**	**2014**	**2013**
Particulars	*Unaudited convenience translation into U.S.$ (See Note 2(d))*			
Cash flows from/(used in) operating activities:				
Profit for the period	U.S.$ 356	Rs. 22,179	Rs. 21,512	Rs. 16,776
Adjustments for:				
Income tax expense	96	5,984	5,094	4,900
Dividend and profit on sale of investments	(12)	(755)	(217)	(213)
Depreciation and amortization	130	8,100	7,106	5,549
Impairment loss/(reversal of impairment loss) on other intangible assets	10	629	(497)	507
Impairment loss on goodwill				181
Inventory write-downs	58	3,635	1,941	1,887
Allowance for doubtful trade and other receivables	3	168	162	107
Loss/(profit) on sale of property, plant and equipment and other intangible assets, net	2	144	(53)	(143)
Allowance for sales returns	57	3,535	2,454	2,068
Share of profit of equity accounted investees	(3)	(195)	(174)	(104)
Exchange (gain)/loss, net	24	1,516	(1,014)	(23)
Interest expense, net	0	31	189	118
Share based payment expense	8	498	436	390
Changes in operating assets and liabilities:				
Trade and other receivables	(175)	(10,905)	118	(6,340)
Inventories	(87)	(5,447)	(3,971)	(3,870)
Trade and other payables	1	55	(2,130)	1,845
Other assets and other liabilities	20	1,257	(4,406)	(4,781)
Cash generated from operations	**488**	**30,431**	**26,550**	**18,854**
Income tax paid	(87)	(5,396)	(7,087)	(5,537)
Net cash from operating activities	**U.S.$ 402**	**Rs. 25,033**	**Rs. 19,463**	**Rs. 13,317**
Cash flows from/(used in) investing activities:				

Expenditure on property, plant and equipment	U.S.$ (150)	Rs. (9,339)	Rs. (10,081)	Rs. (6,670)
Proceeds from sale of property, plant and equipment	3	172	85	64
Expenditure on other intangible assets	(96)	(5,988)	(546)	(666)
Proceeds from sale of other intangible assets			29	254
Purchase of other investments	(858)	(53,466)	(44,811)	(27,878)
Proceeds from sale of other investments	725	45,176	37,721	21,850
Cash paid for acquisition of business, net of cash acquired	(4)	(276)		(1,746)
Interest and dividend received	13	817	983	848
Net cash used in investing activities	**U.S.$ (368)**	**Rs. (22,904)**	**Rs. (16,620)**	**Rs. (13,944)**
Cash flows from/(used in) financing activities:				
Proceeds from issuance of equity shares	U.S.$ 0	Rs. 5	Rs. 2	Rs. 1
Proceeds from sale of equity shares held by a controlled trust	3	201		
Proceeds from/(repayment of) of short term borrowings, net	65	4,068	(858)	2,329
Proceeds from long term borrowings			10,100	
Repayment of long term borrowings	(60)	(3,716)	(207)	(36)
Redemption of bonus debentures (See Note 32)			(5,078)	
Dividend paid (including corporate dividend tax)	(58)	(3,587)	(2,985)	(2,714)
Cash paid for acquisition of non-controlling interests			(25)	(111)
Interest paid	(17)	(1,090)	(1,166)	(1,261)
Net cash used in financing activities	**U.S.$ (66)**	**Rs. (4,118)**	**Rs. (217)**	**Rs. (1,792)**
Net increase/(decrease) in cash and cash equivalents	(32)	(1,989)	2,626	(2,419)
Effect of exchange rate changes on cash and cash equivalents	(17)	(1,068)	771	94
Cash and cash equivalents at the beginning of the period (See Note 14)	136	8,451	5,054	7,379
Cash and cash equivalents at the end of the period (See Note 14)	**U.S.$ 87**	**Rs. 5,394**	**Rs. 8,451**	**Rs. 5,054**
Supplemental schedule of non-cash investing and financing activities:				
Investment in shares of Curis, Inc. (See Note 33)	U.S.$ 23	Rs. 1,452	Rs.	Rs.
Property, plant and equipment and intangibles purchased on credit during the year, including contingent consideration on purchase of intangibles	5	323	469	278
	2	107	195	57

Property, plant and equipment purchased under capital lease			

The accompanying notes form an integral part of these consolidated financial statements.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

1. Reporting entity

Dr. Reddy s Laboratories Limited (DRL or the parent company), together with its subsidiaries (collectively, the Company), is a leading India-based pharmaceutical company headquartered 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 Telangana, 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 also on the New York Stock Exchange in the United States.

2. Basis of preparation of financial statements

a. Statement of compliance

These consolidated financial statements as at and for the year ended March 31, 2015 have been prepared in accordance with the International Financial Reporting Standards and its interpretations (IFRS) as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements have been prepared for the Company as a going concern on the basis of relevant IFRS that are effective or elected for early adoption at the Company s annual reporting date, March 31, 2015. These consolidated financial statements were authorized for issuance by the Company s Board of Directors on June 17, 2015.

b. Basis of measurement

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 statement of financial position:

- derivative financial instruments are measured at fair value;
- available-for-sale financial assets are measured at fair value;

employee defined benefit assets/(liability) are recognized 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 jointly controlled entities which are accounted for using the equity method.

c. Functional and presentation 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 entities are largely restricted to importing of finished goods from the parent company in India, sales of these products in the foreign country and making of import payments to the parent company. The cash flows realized from sales 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 entities 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.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

2. Basis of preparation of financial statements (continued)

d. Convenience translation (unaudited)

These consolidated financial statements have been prepared in Indian rupees. Solely for the convenience of the reader, these consolidated financial statements as of and for the year ended March 31, 2015 have been translated into U.S. dollars at the certified foreign exchange rate of U.S.$1.00 = Rs.62.31, as published by the Federal Reserve Board of Governors on March 31, 2015. No representation is made that the Indian rupee amounts have been, could have been or could be converted into U.S. dollars at such a rate or any other rate. Such convenience translation is not subject to audit by the Company s independent auditors.

e. Use of estimates and judgments

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

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

Note 3(b) Assessment of functional currency;

Note 3(c) and 29 Financial instruments;

Notes 3(d) Business combinations;

Notes 3(e) and (f) Useful lives of property, plant and equipment and intangible assets;

Note 3(h) Valuation of inventories;

Notes 3(i), 7 and 8 Measurement of recoverable amounts of cash-generating units;

Note 3 (j) and 18 Assets and obligations relating to employee benefits;

Note 3(k) Provisions;

Note 3(l) Sales returns, rebates and charge back provisions;

Note 3(o) Evaluation of recoverability of deferred tax assets; and

Note 36 Contingencies

f. Changes in accounting policies

During the year ended March 31, 2014, the Company adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of April 1, 2013:

IFRS 10, Consolidated Financial Statements ;

IFRS 11, Joint Arrangements ;

IFRS 12, Disclosure of Interests in Other Entities ;

IFRS 13, Fair Value Measurement ;

Amendments to IAS 1, Presentation of Items of Other Comprehensive Income ;

IAS 19, Employee Benefits (2011) ;

Amendments to IAS 32, Financial Instruments: Income taxes arising from distribution to equity holders ;

Amendments to IAS 34, Interim Financial Reporting: Segment information for total assets and liabilities ; and

Amendments to IFRS 7, Financial instruments: Disclosures .

(i) Subsidiaries

As a result of IFRS 10, the Company has changed its accounting policy with respect to the basis for determining control. IFRS 10 replaces the guidance on consolidation in IAS 27, Consolidated and Separate Financial Statements , and SIC 12, Consolidation Special Purpose Entities .

IFRS 10 introduces a new control model that is applicable to all investees, by focusing on whether the Company has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, IFRS 10 requires the Company to consolidate investees that it controls on the basis of de facto circumstances. Subsidiaries are consolidated from the date control commences until the date control ceases.

In accordance with the transitional provisions of IFRS 10, the Company reassessed the control conclusion at April 1, 2013 and has concluded that there is no change to the scope of the entities to be consolidated as a result of the adoption of IFRS 10.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

2. Basis of preparation of financial statements (continued)

f. Changes in accounting policies (continued)

(ii) Joint arrangements

Under IFRS 11, the Company classifies its interests in joint arrangements as either joint operations or joint ventures, depending on the Company s rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Company considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, under IAS 31, the structure of the arrangement was the sole focus of classification.

The Company has re-evaluated its existing joint arrangements and concluded that adoption of IFRS 11 does not have any impact on the classification of such arrangements into joint operations and joint ventures.

(iii) IFRS 12 Disclosure of interests in other entities

IFRS 12 sets out the required disclosures for entities applying IFRS 10 and 11 and IAS 28 (as amended in 2011). The new standard combines, enhances and replaces the disclosure requirements for subsidiaries, associates, joint arrangements and unconsolidated structured entities. Necessary disclosures have been made in these consolidated financial statements, wherever necessary.

(iv) Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRS, and introduces more comprehensive disclosure requirements on fair value measurement. There was no material impact on these consolidated financial statements from the adoption of the measurement requirements of IFRS 13. The Company has provided necessary disclosures as required by IFRS 13 in these consolidated financial statements.

(v) Presentation of items of other comprehensive income

As a result of the amendments to IAS 1, the Company modified the presentation of items of other comprehensive income in its consolidated statement of comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Comparative information has also been re-presented accordingly.

The adoption of the amendment to IAS 1 had no impact on the recognized assets, liabilities and comprehensive income of the Company.

(vi) Employee benefits

The Company has adopted revised IAS 19 effective April 1, 2013. The revised standard requires immediate recognition of unrecognized gains and losses through re-measurements of the net defined benefit liability/(asset) through other comprehensive income. As required by the revised standard, the consolidated financial statements as of April 1, 2011 have been retrospectively restated to reflect these changes. Consequently, the Company has recorded a loss of Rs.187 as of April 1, 2011 representing the unrecognized actuarial loss, net of tax, as of that date. Further, amounts of Rs.30 and Rs.(143), representing the actuarial gain/(loss), net of Rs.(14) and Rs.68, representing associated tax (expense)/benefit, have been recorded in the consolidated statement of comprehensive income for the years ended March 31, 2012 and 2013, respectively. Correspondingly, other liabilities were increased by Rs.278, Rs.234 and Rs.445 as on April 1, 2011, 2012 and 2013, respectively. Previously, these amounts were not recorded under the corridor approach specified in IAS 19.

Furthermore, revised IAS 19 also requires the interest expense/(income) on plan assets to be calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return of the portfolio in excess of such yields is recognized through the other comprehensive income. The Company has provided necessary disclosures, as required by revised IAS 19, in these consolidated financial statements.

Revised IAS 19 also requires the effect of any plan amendments to be recognized immediately, through net profit, in the statement of comprehensive income. In addition, the revised standard amends the definitions of termination benefits and settlements . The effect of these changes is not considered material and, accordingly, no further disclosures have been made in these consolidated financial statements.

(vii) Amendments to IAS 32, IAS 34 and IFRS 7

The amendments to IAS 32, IAS 34 and IFRS 7 do not have any material impact on these consolidated financial statements of the Company.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

3. Significant accounting policies

Except for the changes explained in Note 2(f), the Company has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

a. 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 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.

Associates and joint arrangements (equity accounted investees)

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 presumed to exist when the Company holds between 20% and 50% of the voting power of another entity.

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. Investments in associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognized 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.

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.

Acquisition of non-controlling interests

Acquisition of some or all of the non-controlling interest (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 recognized 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 recognized in the consolidated income statement. 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 an available-for-sale financial asset, depending on the level of influence retained.

b. Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of entities within the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. 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 recognized in the consolidated income statement in the period in which they arise.

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

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

3. Significant accounting policies (continued)

b. Foreign currency (continued)

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 recognized 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 reporting currency at exchange rates at the reporting date. The income and expenses of such foreign operations are translated to the reporting currency at the monthly average exchange rates prevailing during the year. Resulting foreign currency differences are recognized 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 income statement.

c. Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments consist of investments in mutual funds, equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, trade and other payables and certain other assets and liabilities.

Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs, except for those instruments that are designated as being fair value through profit and loss upon initial recognition. Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, short-term means investments having maturity of three months or less from the date of investment. Bank

overdrafts that are repayable on demand form an integral part of the Company s cash management and are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Other investments

Other investments consist of term deposits with original maturities of more than three months, investments in mutual funds and equity securities.

Investments in mutual funds and equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income/(loss) and presented within equity under fair value reserve . When an investment is derecognized, the cumulative gain or loss in equity is transferred to the consolidated income statement.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is expected within one year or within the normal operating cycle of the business.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are classified as current assets if the collection is expected within one year or within the normal operating cycle of the business.

Debt instruments and other financial liabilities

The Company initially recognizes debt instruments issued on the date that they originate. All other financial liabilities are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. These are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

3. Significant accounting policies (continued)

c. Financial instruments (continued)

Others

Other non-derivative financial instruments are initially recognized at fair value. Subsequent to initial recognition, these assets are measured at amortized cost using the effective interest method, less any impairment losses.

De-recognition of financial assets and liabilities

The Company derecognizes a financial asset when the contractual right to the cash flows from that asset expires, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing, at amortized cost, for the proceeds received.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. The difference between the carrying amount of the derecognized financial liability and the consideration paid is recognized as profit or loss.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right and ability to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Derivative financial instruments

The Company is exposed to exchange rate risk which arises from its foreign exchange revenues and expenses, primarily in U.S. dollars, U.K. pounds sterling, Russian roubles, Venezuelan bolivars and Euros, and foreign currency debt in U.S. 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 income statement 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 income statement 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 income statement as revenue in the period corresponding to the occurrence of the forecasted transactions.

Upon initial designation of a hedging instrument, the Company formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80%-125% relative to the gain or loss on the hedged items. For cash flow hedges to be highly effective , a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss.

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 recognized in other comprehensive income/(loss), remains there until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income/(loss) is recognized immediately in the consolidated income statement.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

3. Significant accounting policies (continued)

c. Financial instruments (continued)

Hedges of recognized assets and liabilities

Changes in the fair value of derivative contracts that economically hedge monetary assets and liabilities in foreign currencies, and for which no hedge accounting is applied, are recognized in the consolidated income statement. The changes in fair value of such derivative contracts, as well as the foreign exchange gains and losses relating to the monetary items, are recognized as part of net finance income/(expense) in the consolidated income statement.

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.

d. Business combinations

The Company uses the acquisition method of accounting to account for business combinations that occurred on or after April 1, 2009. The acquisition date is the date on which control is transferred to the acquirer. Judgment is applied in determining the acquisition date and determining whether control is transferred from one party to another. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity. In assessing control, potential voting rights are considered only if the rights are substantive. The Company measures goodwill as of the applicable acquisition date at the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount of the identifiable assets acquired and liabilities assumed. When the fair value of the net identifiable assets acquired and liabilities assumed exceeds the consideration transferred, a bargain purchase gain is recognized immediately in the consolidated income statement. Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Company to the previous owners of the acquiree, and equity interests issued by the Company. Consideration transferred also includes the fair value of any contingent consideration. Consideration transferred does not include amounts related to settlement of pre-existing relationships. Any goodwill that arises on account of such business combination is tested annually for impairment.

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.

e. Property, plant and equipment

Recognition and measurement

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

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

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within other (income)/expense, net in the consolidated income statement.

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

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

3. Significant accounting policies (continued)

e. Property, plant and equipment (continued)

Depreciation

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

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Buildings	
- Factory and administrative buildings	20 - 50 years
- Ancillary structures	3 - 15 years
Plant and equipment	3 - 15 years
Furniture, fixtures and office equipment	4 - 10 years
Vehicles	4 - 5 years
Computer equipment	3 - 5 years

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

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

f. Goodwill and other intangible assets

Goodwill

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

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying value of the equity accounted investee.

Other intangible assets

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

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

Research and development

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

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

development costs can be measured reliably;

the product or process is technically and commercially feasible;

future economic benefits are probable; and

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

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

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

3. Significant accounting policies (continued)

f. Goodwill and other intangible assets (continued)

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

Acquired research and development intangible assets which are under development, are recognized as In-Process Research and Development assets (IPR&D). IPR&D 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 IPR&D assets is recorded in the consolidated income statement under Research and Development expenses .

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 recognized immediately in the consolidated income statement.

Amortization

Amortization is recognized in the consolidated income statement on a straight-line basis over the estimated useful lives of intangible assets or on any other basis that reflects the pattern in which the asset s future economic benefits are expected to be consumed by the entity. Intangible assets that are not available for use are amortized from the date they are available for use.

The estimated useful lives are as follows:

Trademarks	3 - 12 years
Product related intangibles	5 - 15 years
Customer-related intangibles	1 - 11 years
Technology related intangibles	3 - 13 years
Other intangibles	3 - 15 years

The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at each reporting date.

De-recognition of intangible assets

Intangible assets are de-recognized 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 income statement, and are measured as the difference between the net disposal proceeds, if any, and the carrying amount of respective intangible assets as on the date of de-recognition.

g. Leases

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

Finance leases

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

Operating leases

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

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

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

3. Significant accounting policies (continued)

h. Inventories

Inventories consist of raw materials, stores and spares, work in progress and finished goods and are measured at the lower of cost and net realizable value. The cost of all categories of inventories is based on the weighted average method. Cost includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Stores and spares consists of packing materials, engineering spares (such as machinery spare parts) and consumables (such as lubricants, cotton waste and oils), which are used in operating machines or consumed as indirect materials in the manufacturing process.

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

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

i. Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Significant financial assets are tested for impairment on an individual basis. All impairment losses/(reversals of impairment losses) are recognized in the consolidated income statement.

When the fair value of available-for-sale financial assets declines below acquisition cost and there is objective evidence that the asset is impaired, the cumulative loss that has been recognized in other comprehensive income is transferred to the statement of income. An impairment loss may be reversed in subsequent periods, if the indicators for the impairment no longer exist. Such reversals are recognized in other comprehensive income.

Non-financial assets

The carrying amounts of the Company s non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset s recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, an impairment test is performed each year at March 31.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that 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 recognized in the consolidated income statement if the estimated recoverable amount of an asset or its cash-generating unit is lower than its carrying amount. Impairment losses recognized 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.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

3. Significant accounting policies (continued)

i. Impairment (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Goodwill that forms part of the carrying amount of an investment in an associate is not recognized 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 recognized in the consolidated income statement, and reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

j. Employee benefits

Short-term employee benefits

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

Defined 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, recognized in the income statement in employee benefit expense, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements. Past service costs are recognizedimmediately 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 income statement. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Termination benefits

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

Other long-term employee benefits

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

Defined contribution plans

The Company s contributions to defined contribution plans are charged to the consolidated income statement as and when the services are received from the employees.

Compensated absences

The Company s current policies permit certain categories of its employees to accumulate and carry forward a portion of their unutilized 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 statements of financial position date. Such measurement is based on actuarial valuation as at the statements of financial position date carried out by a qualified actuary.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

3. Significant accounting policies (continued)

j. Employee benefits (continued)

Share-based payment transactions

The grant date fair value of options granted to employees is recognized 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 recognized in connection with share based payment transaction is presented as a separate component in equity under share based payment reserve . The amount recognized as an expense is adjusted to reflect the actual number of stock options that vest.

k. Provisions

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

Restructuring

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

Onerous contracts

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

Reimbursement rights

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

l. Revenue

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is 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 recognized 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 recognized 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 recognized 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 recognized once all such activities are completed.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

3. Significant accounting policies (continued)

l. Revenue (continued)

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 recognized in these transactions upon delivery of products to the business partners. An additional amount representing the profit share component is recognized as revenue in the period which corresponds to the ultimate sales of the products made by business partners only when the collectability of the profit share becomes probable and a reliable measurement of the profit share is available. 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 recognized for each period, the Company uses all available information and evidence, including any confirmations from the business partner of the profit share amount owed to the Company, to the extent made available before the date the Company s Board of Directors authorizes the issuance of its financial statements for the applicable period.

Milestone payments and out licensing arrangements

Revenues include amounts derived from product out-licensing agreements. These arrangements typically consist of an initial up-front payment on inception of the license and subsequent payments dependent on achieving certain milestones in accordance with the terms prescribed in the agreement. Non-refundable up-front license fees received in connection with product out-licensing agreements are deferred and recognized over the period in which the Company has continuing performance obligations. Milestone payments which are contingent on achieving certain clinical milestones are recognized as revenues either on achievement of such milestones, if the milestones are considered substantive, or over the period the Company has continuing performance obligations, if the milestones are not considered substantive. If milestone payments are creditable against future royalty payments, the milestones are deferred and released over the period in which the royalties are anticipated to be paid.

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 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

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

3. Significant accounting policies (continued)

l. Revenue (continued)

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 recognized in the consolidated income statement as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognized as revenue over the expected period over which the related services are expected to be performed.

Export entitlements

Export entitlements from government authorities are recognized in the consolidated income statement as a reduction from Cost of Revenues 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.

m. Shipping and handling costs

Shipping and handling costs incurred to transport products to customers, and internal transfer costs incurred to transport the products from the Company s factories to its various points of sale, are included in selling, general and administrative expenses.

n. Finance income and expense

Finance income consists of interest income on funds invested (including available-for-sale financial assets), dividend income and gains on the disposal of available-for-sale financial assets. Interest income is recognized, in the consolidated income statement, as it accrues using the effective interest method. Dividend income is recognized in the

consolidated income statement on the date that the Company s right to receive payment is established. The associated cash flows are classified as investing activities in the statement of cash flows. Finance expenses consist of interest expense on loans and borrowings.

Borrowing costs are recognized in the consolidated income statement using the effective interest method. The associated cash flows are classified as financing activities in the statement of cash flows.

Foreign currency gains and losses are reported on a net basis within finance income and expense. These primarily include: exchange differences arising on settlement or translation of monetary items; changes in the fair value of derivative contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied; and the ineffective portion of cash flow hedges.

o. Income tax

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

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

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

Any deferred tax asset or liability arising from deductible or taxable temporary differences in respect of unrealized inter-company profit or loss on inventories held by the Company in different tax jurisdictions is recognized using the tax rate of the jurisdiction in which such inventories are held. Withholding tax arising out of payment of dividends to shareholders under the Indian Income tax regulations is not considered as tax expense for the Company and all such taxes are recognized in the statement of changes in equity as part of the associated dividend payment.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

3. Significant accounting policies (continued)

p. 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.

q. Government grants

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

r. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief executive officer of the Company is responsible for allocating resources and assessing performance of the operating segments and accordingly is identified as the chief operating decision maker.

s. Recent accounting pronouncements

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

IFRS 9- Financial instruments

In July 2014, the IASB issued the final version of IFRS 9, Financial instruments . IFRS 9 significantly differs from IAS 39, Financial Instruments: Recognition and Measurement , and includes a logical model for classification and measurement, a single, forward-looking expected loss impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company is in the process of evaluating the impact of the new standard on its consolidated financial statements.

Amendments to IAS 16 Property, plant and equipment and IAS 38 Intangible assets

In May 2014, the IASB issued limited-scope amendments to IAS 16, Property, plant and equipment and IAS 38, Intangible assets, to clarify the use of a revenue-based depreciation or amortization method. With respect to property, plant and equipment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. With respect to intangible assets, the amended standard incorporates a rebuttable presumption that an amortization method based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate. The amendments are effective for annual periods beginning on or after January 1, 2016, with early application permitted. The Company believes that these amendments will not have any material impact on its consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers.

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The new revenue recognition standard was issued with an effective date of January 1, 2017. However, in April 2015, the IASB voted to defer the effective date of the new revenue recognition standard to January 1, 2018. Early application of the new standard is permitted. The Company is in the process of evaluating the impact of the new standard on its consolidated financial statements.

t. Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and stock options are recognized as a deduction from equity, net of any tax effects.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

4. Determination of fair values

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

(i) Property, plant and equipment

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

(ii) Intangible assets

The fair value of brands, technology related intangibles, and patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of these brands, technology related intangibles, patents or trademarks being owned (the relief of royalty method). The fair value of customer related, product related and other intangibles acquired in a business combination has been determined using the multi-period excess earnings method after deduction of a fair return on other assets that are part of creating the related cash flows.

(iii) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(iv) Investments in equity and debt securities and units of mutual funds

The fair value of available-for-sale 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.

(v) 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.

(vi) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements. In respect of the Company s borrowings that have floating rates of interest, their fair value approximates carrying value.

(vii) Share-based payment transactions

The fair value of employee stock options is measured using the Black-Scholes-Merton valuation model. Measurement inputs include share price on grant date, exercise price of the instrument, expected volatility (based on weighted average historical volatility), expected life of the instrument (based on historical experience), expected dividends, and the risk free interest rate (based on government bonds).

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

5. 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 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 includes 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 differentiated formulations business, New Chemical Entities (NCEs) business, and the dermatology focused specialty business operated through Promius Pharma.

Others. This includes the operations of the Company s wholly-owned subsidiary, Aurigene Discovery Technologies Limited, a discovery stage biotechnology company developing novel and best-in-class therapies in the fields of oncology and inflammation and which works with established pharmaceutical and biotechnology companies in early-stage collaborations, bringing drug candidates from hit generation through Investigational New Drug (IND) filing.

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.

tion about segments:	For the Year Ended March 31,								
	Global Generics			PSAI			Proprietary Product		
ble segments	2015	2014	2013	2015	2014	2013	2015	2014	
e [1]	Rs. 120,556	Rs. 105,164	Rs. 82,563	Rs. 25,456	Rs. 23,974	Rs. 30,702	Rs. 1,013	Rs. 1,778	Rs
rofit	Rs. 78,553	Rs. 69,148	Rs. 48,721	Rs. 5,709	Rs. 4,848	Rs. 9,970	Rs. 812	Rs. 1,606	Rs
general and rative expenses									
and development									
come)/expense, net									
from operating s									
(expense)/income, net									
profit of equity d investees, net of tax									
efore tax									
ense									
r the year									

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

5. Segment reporting (continued)

[Continued from above table, first column repeated]

Information about segments:	**For the Year Ended March 31,**					
	Others			**Total**		
Reportable segments	**2015**	**2014**	**2013**	**2015**	**2014**	**2013**
Revenue [1]	**Rs. 1,164**	**Rs. 1,254**	**Rs. 1,533**	**Rs. 148,189**	**Rs. 132,170**	**Rs. 116,266**
Gross profit	**Rs. 329**	**Rs. 199**	**Rs. 564**	**Rs. 85,403**	**Rs. 75,801**	**Rs. 60,579**
Selling, general and administrative expenses				42,585	38,783	34,272
Research and development expenses				17,449	12,402	7,674
Other (income)/expense, net				(917)	(1,416)	(2,479)
Results from operating activities				**Rs. 26,286**	**Rs. 26,032**	**Rs. 21,112**
Finance (expense)/income, net				1,682	400	460
Share of profit of equity accounted investees, net of tax				195	174	104
Profit before tax				**Rs. 28,163**	**Rs. 26,606**	**Rs. 21,676**
Tax expense				(5,984)	(5,094)	(4,900)
Profit for the year				**Rs. 22,179**	**Rs. 21,512**	**Rs. 16,776**

(1) Revenue for the year ended March 31, 2015 does not include inter-segment revenues from PSAI to Global Generics which is accounted for at a cost of Rs.6,904 (as compared to Rs.5,601 and Rs.5,584 for the years ended March 31, 2014 and 2013, respectively).

Analysis of revenue by geography:

The following table shows the distribution of the Company s revenues by geography, based on the location of the customer:

For the Year Ended March 31,

	2015	2014	2013
Geography			
North America (the United States and Canada)	Rs. 70,898	Rs. 61,409	Rs. 45,736
India	21,158	19,502	19,198
Europe	18,284	16,483	20,262
Russia and other countries of the former Soviet Union	17,713	19,819	16,908
Others	20,136	14,957	14,162
	Rs. 148,189	**Rs. 132,170**	**Rs. 116,266**

Analysis of revenue within the Global Generics segment:

The following table shows the distribution of revenues of the Company s Global Generics segment by geography, based on the location of the customer:

	For the Year Ended March 31,		
	2015	2014	2013
Geography			
North America (the United States and Canada)	Rs.64,723	Rs.55,303	Rs.37,846
India	17,870	15,713	14,560
Europe	7,193	6,970	7,716
Russia and other countries of the former Soviet Union	17,713	19,819	16,908
Others	13,057	7,359	5,533
	Rs.120,556	**Rs.105,164**	**Rs.82,563**

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

5. Segment reporting (continued)

An analysis of revenues by therapeutic areas in the Company s Global Generics segment is given below:

	For the Year Ended March 31,		
	2015	**2014**	**2013**
Gastrointestinal	Rs. 21,524	Rs. 20,793	Rs. 21,007
Oncology	19,459	14,970	3,508
Cardiovascular	17,569	14,962	11,445
Pain Management	16,591	15,808	14,295
Central Nervous System	14,935	12,094	9,357
Anti-Infective	8,393	6,310	7,160
Others	22,085	20,227	15,791
Total	**Rs. 120,556**	**Rs. 105,164**	**Rs. 82,563**

Analysis of revenue within the PSAI segment:

The following table shows the distribution of revenues of the Company s PSAI segment by geography, based on the location of the customer:

	For the Year Ended March 31,		
	2015	**2014**	**2013**
Geography			
Europe	Rs. 10,507	Rs. 9,058	Rs. 12,007
North America (the United States and Canada)	4,605	3,820	5,744
India	3,288	3,787	4,638
Others	7,056	7,309	8,313
	Rs. 25,456	**Rs. 23,974**	**Rs. 30,702**

An analysis of revenues by therapeutic areas in the Company s PSAI segment is given below:

	For the Year Ended March 31,		
	2015	**2014**	**2013**
Cardiovascular	Rs.4,695	Rs.5,126	Rs.7,487
Oncology	4,274	1,958	3,132
Pain Management	3,793	4,150	3,872
Central Nervous System	2,800	3,686	6,215
Anti-Infective	2,338	3,198	2,764
Gastrointestinal	1,395	1,816	2,392
Others	6,161	4,040	4,840
Total	**Rs.25,456**	**Rs.23,974**	**Rs.30,702**

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

5. Segment reporting (continued)

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, based on the location of assets:

	As of March 31,	
	2015	**2014**
Geography		
India	Rs. 41,948	Rs. 38,301
North America (the United States and Canada)	7,552	7,372
Europe	12,986	11,389
Russia and other countries of the former Soviet Union	547	507
Others	2,520	2,358
	Rs. 65,553	**Rs. 59,927**

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 geography, based on the location of assets:

	For the Year Ended March 31,	
	2015	**2014**
Geography		
India	Rs. 9,215	Rs. 9,051
North America (the United States and Canada)	814	1,370
Europe	5,406	777
Russia and other countries of the former Soviet Union	147	309
Others	284	68
	Rs. 15,866	**Rs. 11,575**

Analysis of depreciation and amortization, included in cost of revenues, by reportable segments:

	For the Year Ended March 31,		
	2015	**2014**	**2013**
Global Generics	Rs. 2,044	Rs. 1,762	Rs. 1,404
PSAI	2,034	1,920	1,489
Proprietary Products			
Others	76	89	90
	Rs. 4,154	**Rs. 3,771**	**Rs. 2,983**

Information about major customers

Revenues from one of the customers of the Company s Global Generics segment were approximately Rs.17,364 for the year ended March 31, 2015.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

6. Property, plant and equipment

The following is a summary of the changes in carrying value of property, plant and equipment.

Particulars	Land	Buildings	Plant and equipment	Computer equipment	Furniture, fixtures and office equipment	Vehicles	Total
Gross carrying value							
Balance as at April 1, 2013	**Rs. 3,682**	**Rs. 12,167**	**Rs. 33,307**	**Rs. 1,471**	**Rs. 1,732**	**Rs. 599**	**Rs. 52,958**
Acquisitions through business combination							
Other additions	93	2,903	6,367	419	244	390	10,416
Disposals	(4)	(34)	(263)	(42)	(21)	(451)	(815)
Effect of changes in foreign exchange rates	53	283	483	31	34	1	885
Balance as at March 31, 2014	**Rs. 3,824**	**Rs. 15,319**	**Rs. 39,894**	**Rs. 1,879**	**Rs. 1,989**	**Rs. 539**	**Rs. 63,444**
Balance as at April 1, 2014	**Rs. 3,824**	**Rs. 15,319**	**Rs. 39,894**	**Rs. 1,879**	**Rs. 1,989**	**Rs. 539**	**Rs. 63,444**
Acquisitions through business combination			22		10		32
Other additions	12	1,353	8,472	327	216	169	10,549
Disposals		(37)	(1,069)	(175)	(37)	(79)	(1,397)
Effect of changes in foreign exchange rates	(47)	(130)	(379)	(28)	(30)	(3)	(617)
Balance as at March 31, 2015	**Rs. 3,789**	**Rs. 16,505**	**Rs. 46,940**	**Rs. 2,003**	**Rs. 2,148**	**Rs. 626**	**Rs. 72,011**
Depreciation							
Balance as at April 1, 2013	**Rs.**	**Rs. 2,180**	**Rs. 16,242**	**Rs. 1,004**	**Rs. 1,382**	**Rs. 405**	**Rs. 21,213**
Depreciation for the year		621	3,611	228	223	121	4,804
Disposals		(23)	(245)	(41)	(17)	(254)	(580)
Effect of changes in foreign exchange rates		53	159	24	22	0	258
Balance as at March 31, 2014	**Rs.**	**Rs. 2,831**	**Rs. 19,767**	**Rs. 1,215**	**Rs. 1,610**	**Rs. 272**	**Rs. 25,695**

Balance as at April 1, 2014	**Rs.**	**Rs. 2,831**	**Rs. 19,767**	**Rs. 1,215**	**Rs. 1,610**	**Rs. 272**	**Rs. 25,695**
Depreciation for the year		701	4,401	272	237	109	5,720
Disposals		(3)	(827)	(156)	(24)	(72)	(1,082)
Effect of changes in foreign exchange rates		(57)	(183)	(23)	(27)	(3)	(293)
Balance as at March 31, 2015	**Rs.**	**Rs. 3,472**	**Rs. 23,158**	**Rs. 1,308**	**Rs. 1,796**	**Rs. 306**	**Rs. 30,040**
Net carrying value							
As at April 1, 2013	Rs. 3,682	Rs. 9,987	Rs. 17,065	Rs. 467	Rs. 350	Rs. 194	Rs. 31,745
As at March 31, 2014	Rs. 3,824	Rs. 12,488	Rs. 20,127	Rs. 664	Rs. 379	Rs. 267	Rs. 37,749
Add: Capital-work-in-progress							Rs. 6,675
Total as at March 31, 2014							Rs. 44,424
As at March 31, 2015	Rs. 3,789	Rs. 13,033	Rs. 23,782	Rs. 695	Rs. 352	Rs. 320	Rs. 41,971
Add: Capital-work-in-progress							Rs. 6,119
Total as at March 31, 2015							**Rs. 48,090**

Capital commitments

As of March 31, 2015 and 2014, the Company was committed to spend Rs.4,173 and Rs.2,920, respectively, under agreements to purchase property, plant and equipment. This amount is net of capital advances paid in respect of such purchase commitments.

Interest capitalization

During the years ended March 31, 2015 and 2014, the Company capitalized interest cost of Rs.31 and Rs.77, respectively, with respect to qualifying assets. The rate for capitalization of interest cost for the years ended March 31, 2015 and 2014 was approximately 2.32% and 2.95%, respectively.

Assets acquired under finance leases

Property, plant and equipment include Rs.739 and Rs.973 of assets acquired (net of accumulated depreciation) under finance leases as of March 31, 2015 and 2014, respectively.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

7. Goodwill

Goodwill arising upon business acquisitions is not amortized but tested for impairment at least annually or more frequently if there is any indication that the cash generating unit to which goodwill is allocated is impaired.

The following table presents the changes in goodwill during the years ended March 31, 2015 and 2014:

	As of March 31,	
	2015	**2014**
Opening balance, gross [1]	Rs. 19,702	Rs. 19,467
Goodwill arising on business combinations during the year[2]	203	
Effect of translation adjustments	(251)	235
Impairment loss[3]	(16,274)	(16,274)
Closing balance [1]	**Rs. 3,380**	**Rs. 3,428**

(1) This does not include goodwill arising upon investment in an associate of Rs.181, which is included in the carrying value of the investment in the equity accounted investees.

(2) Represents excess of consideration paid over the fair value of the net assets acquired from Cherokee Pharma LLC during the year ended March 31, 2015. Total purchase consideration was Rs.292 and the fair value of the net assets acquired was Rs.89. The amount of goodwill is primarily attributable to the acquired workforce and expected synergies. The acquisition was not material to the Company and, accordingly, no further disclosures have been made in these consolidated financial statements.

(3) The impairment loss of Rs.16,274 includes Rs.16,003 pertaining to the Company s German subsidiary, betapharm Arzneimittel GmbH, which is part of the Company s Global Generics segment. This impairment loss was recorded during the years ended March 31, 2009 and 2010.

For the purpose of impairment testing, goodwill is allocated to a cash generating unit, representing the lowest level within the Company at which goodwill is monitored for internal management purposes and which is not higher than the Company s operating segment.

The carrying amount of goodwill (other than those arising upon investment in an associate) was allocated to cash generating units as follows:

	As of March 31, 2015	2014
PSAI- Active Pharmaceutical Operations	Rs. 997	Rs. 997
PSAI- OctoPlus B.V.[1]		1,370
Global Generics- Complex Injectables [1]	1,113	
Global Generics- North America Operations	989	779
Global Generics- Branded Formulations	168	168
Others	113	114
	Rs. 3,380	**Rs. 3,428**

[1] Represents goodwill arising on the acquisition of OctoPlus B.V (formerly OctoPlus N.V.) (OctoPlus) during the year ended March 31, 2013. Since its acquisition by the Company, OctoPlus has been engaged in internal drug development projects as well as providing pharmaceutical development services to external customers. During the year ended March 31, 2015, the Company decided to significantly increase the utilization of OctoPlus s technical know-how, its time and effort on internal drug development projects and scale-down its external pharmaceutical development services. Such change in the utilization of technical know-how also resulted in the change of composition of cash-generating unit to which the goodwill was allocated and the segment to which such goodwill belongs. Accordingly, the Company reallocated the goodwill to its Global Generics segment and determined that its complex injectables portfolio was the relevant cash generating unit for the purpose of impairment testing.

The recoverable amounts of the above cash generating units have been assessed using a value-in-use model. Value in use is generally calculated as the net present value of the projected post-tax cash flows plus a terminal value of the cash generating unit to which the goodwill is allocated. Initially a post-tax discount rate is applied to calculate the net present value of the post-tax cash flows. Key assumptions on which the Company has based its determinations of value-in-use include:

a) Estimated cash flows for five years based on management s budgets and estimates.

b) Terminal value arrived by extrapolating last forecasted year cash flows to perpetuity, using a constant long-term growth rate of 0%. This long-term growth rate takes into consideration external macroeconomic sources of data. Such long-term growth rate considered does not exceed that of the relevant business and industry sector.

c) The post-tax discount rates used are based on the Company s weighted average cost of capital.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

7. Goodwill (continued)

d) Value-in-use is calculated using after tax assumptions. The use of after tax assumptions does not result in a value-in-use that is materially different from the value-in-use that would result if the calculation was performed using before tax assumptions. The after tax discount rates used range from 6.73% to 11.06% for various cash generating units. The before tax discount rates range from 9.82% to 18.46%.

The Company believes that any reasonably possible change in the key assumptions on which a recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

8. Other intangible assets

The following is a summary of changes in the carrying value of intangible assets:

	Trademarks with finite useful life	Product related intangibles	Technology related intangibles	Customer related intangibles	Others	Total
Gross carrying amount						
Balance as at April 1, 2013	Rs. 9,699	Rs. 21,712	Rs. 1,380	Rs. 1,110	Rs. 654	Rs. 34,555
Acquisitions through business combinations						
Other additions		653	64		26	743
Deletions						
Effect of changes in foreign exchange rates	1,350	2,864	273	105	20	4,612
Balance as at March 31, 2014	**Rs. 11,049**	**Rs. 25,229**	**Rs. 1,717**	**Rs. 1,215**	**Rs. 700**	**Rs. 39,910**
Balance as at April 1, 2014	Rs. 11,049	Rs. 25,229	Rs. 1,717	Rs. 1,215	Rs. 700	Rs. 39,910
Acquisitions through business combinations		60				60
Other additions[(1)]		5,454	54		272	5,780
Deletions						
Effect of changes in foreign exchange rates	(1,700)	(3,120)	(178)	(50)	(20)	(5,068)

Balance as at March 31, 2015	**Rs.**	**9,349**	**Rs.**	**27,623**	**Rs.**	**1,593**	**Rs.**	**1,165**	**Rs.**	**952**	**Rs.**	**40,682**
Amortization/impairment loss														
Balance as at April 1, 2013	Rs.	5,864	Rs.	16,262	Rs.	517	Rs.	720	Rs.	364	Rs.	23,727
Amortization for the year		600		1,384		179		93		45		2,301
Impairment loss/(reversal of impairment loss)				(497)								(497)
Deletions												
Effect of changes in foreign exchange rates		616		2,328		104		43		19		3,110
Balance as at March 31, 2014	**Rs.**	**7,080**	**Rs.**	**19,477**	**Rs.**	**800**	**Rs.**	**856**	**Rs.**	**428**	**Rs.**	**28,641**
Balance as at April 1, 2014	Rs.	7,080	Rs.	19,477	Rs.	800	Rs.	856	Rs.	428	Rs.	28,641
Amortization for the year		541		1,610		152		33		45		2,381
Impairment loss/(reversal of impairment loss)				285		95		249				629
Deletions												
Effect of changes in foreign exchange rates		(933)		(2,959)		(87)		(20)		(20)		(4,019)
Balance as at March 31, 2015	**Rs.**	**6,688**	**Rs.**	**18,413**	**Rs.**	**960**	**Rs.**	**1,118**	**Rs.**	**453**	**Rs.**	**27,632**
Net carrying amount														
As at April 1, 2013	Rs.	3,835	Rs.	5,450	Rs.	863	Rs.	390	Rs.	290	Rs.	10,828
As at March 31, 2014	Rs.	3,969	Rs.	5,752	Rs.	917	Rs.	359	Rs.	272	Rs.	11,269
As at March 31, 2015	**Rs.**	**2,661**	**Rs.**	**9,210**	**Rs.**	**633**	**Rs.**	**47**	**Rs.**	**499**	**Rs.**	**13,050**

(1) Other additions during the year ended March 31, 2015 includes Rs.5,097 towards the acquisition from Novartis Consumer Health Inc. of the title and rights to its Habitrol® brand. Refer to Note 38 for further details.

The selling, general and administrative expenses included Rs.2,326, Rs.2,301and Rs.1,691 of amortization of other intangible assets and Rs.509, Rs.(497) and Rs.507 of impairment loss/(reversal of impairment loss) on other intangible assets for the years ended March 31, 2015, 2014 and 2013, respectively. The research and development expenses included Rs.55 of amortization of other intangible assets and Rs.120 of impairment loss on other intangible assets for the year ended March 31, 2015. The weighted average remaining useful life of intangibles was approximately 5.6 years as at March 31, 2015.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

8. Other intangible assets (continued)

Impairment losses recorded for the year ended March 31, 2015

For the year ended March 31, 2015, the Company recorded impairment losses of Rs.629 in the consolidated income statement, primarily relating to the following:

Customer related intangibles

Since its acquisition during the year ended March 31, 2013, OctoPlus B.V., a wholly owned subsidiary of the Company, has been engaged in the Company s internal drug development projects as well as providing pharmaceutical development services to external customers.

During the year ended March 31, 2015, the Company decided to significantly increase the utilization of OctoPlus B.V. s technical know-how, its time and effort on internal drug development projects and scale-down its external pharmaceutical development services. Consequent to such decision, the Company reassessed the recoverable amounts of associated customer related intangibles and determined that the carrying amount of such customer related intangibles was higher than their recoverable amount. Accordingly, an amount of Rs.249 was recorded as an impairment loss for the year ended March 31, 2015 under Selling, general and administrative expenses in the Company s consolidated income statement.

The above impairment loss relate to the Company s PSAI segment. As at March 31, 2015, the carrying amount of such customer related intangibles after impairment loss was Rs.0.

Product related intangibles

Based on the performance of and expected cash flows from some of the Company s product related intangibles pertaining to its Global Generics segment, the Company reassessed the recoverable amounts of such product related intangibles and determined that the carrying amount of such product-related intangibles was higher than their recoverable amount. Accordingly, an amount of Rs.201 was recorded as an impairment loss for the year ended March 31, 2015 under Selling, general and administrative expenses in the Company s consolidated income statement. As at March 31, 2015, the carrying amount of such product related intangibles after impairment loss was Rs.0.

In-process research and development (IPR&D) intangibles

Consequent to the Company s decision to discontinue further development of certain IPR&D assets pertaining to its Proprietary Products segment, an amount of Rs.95 was recorded as impairment loss for the year ended March 31, 2015 under research and development expenses in the Company s consolidated income statement.

Reversal of impairment losses recorded for the year ended March 31, 2014

Consequent to the increase in expected cash flows of some of the products forming part of the product related intangibles pertaining to the Company s Global Generics segment, the Company, following the guidance under IAS 36 Impairment of assets , estimated the recoverable amount of such intangible asset and assessed that the impairment loss recorded in an earlier period should be reversed. Accordingly, a reversal of impairment loss of Rs.497 for such product related intangibles was recorded for the year ended March 31, 2014 under Selling, general and administrative expenses in the consolidated income statement. The expected cash flows increased primarily due to various market dynamics, such as reduced competition and favorable pricing position.

The above reversal of impairment losses relate to the Company s Global Generics segment. The pre-tax cash flows have been discounted based on a pre-tax discount rate of 5.68%. As at March 31, 2014, the carrying amount of such product related intangibles after reversal of impairment loss was Rs.1,287.

Impairment losses recorded for the year ended March 31, 2013

During the year ended March 31, 2013, the Company determined that there was a decrease in expected cash flows of a product portfolio forming part of certain product related intangibles, primarily due to higher than expected price erosion and increased competition leading to lower volumes. Consequently, the Company reassessed the recoverable amounts of such product-related intangibles using the value in use approach and determined that the carrying amount of such product-related intangibles was higher than its recoverable amount. Accordingly, an impairment loss of Rs.497 for such product related intangibles was recorded for the year ended March 31, 2013 under Selling, general and administrative expenses in the consolidated income statement. The above impairment losses relate to the Company s Global Generics segment.

The pre-tax cash flows have been discounted based on a pre-tax discount rate of 5.52%. As at March 31, 2013, the carrying amount of such product related intangibles after impairment was Rs.1,288.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

9. Investment in equity accounted investees

Kunshan Rotam Reddy Pharmaceuticals Co. Limited (Reddy Kunshan) is engaged in manufacturing and marketing of active pharmaceutical ingredients and intermediates and formulations in China. The Company s interest in Reddy Kunshan was 51.3% as of March 31, 2015 and 2014. 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 IFRS 11.

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:

	As of/for the Year Ended March 31,		
	2015	**2014**	**2013**
Ownership	51.3%	51.3%	51.3%
Total current assets	Rs. 2,090	Rs. 1,768	Rs. 1,051
Total non-current assets	389	346	305
Total assets	**Rs. 2,479**	**Rs. 2,114**	**Rs. 1,356**
Equity	Rs. 1,656	Rs. 1,213	Rs. 802
Total current liabilities	823	901	554
Total equity and liabilities	**Rs. 2,479**	**Rs. 2,114**	**Rs. 1,356**
Revenues	Rs. 3,377	Rs. 2,794	Rs. 1,914
Expenses	2,998	2,455	1,711
Profit for the year	**Rs. 379**	**Rs. 339**	**Rs. 203**

The Company s share of profits in Reddy Kunshan for the years ended March 31, 2015, 2014 and 2013 was Rs.195, Rs.174 and Rs.104, respectively. The carrying value of the Company s investment in Reddy Kunshan as of March 31, 2015 and 2014 was Rs.1,033 and Rs.806, respectively. The translation adjustment arising out of translation of foreign currency balances amounted to Rs.192 and Rs.160 as of March 31, 2015 and 2014, respectively.

10. 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) with banks. The details of such investments as of March 31, 2015 are as follows:

	Cost	Gain recognized directly in equity	Fair value
Investment in units of mutual funds	Rs. 21,237	Rs. 404	Rs. 21,641
Investment in equity securities[1]	1,456	1,131	2,587
Term deposits with banks	12,848		12,848
	Rs. 35,541	**Rs. 1,535**	**Rs. 37,076**
Current portion			
Investment in units of mutual funds	Rs. 21,024	Rs. 398	Rs. 21,422
Term deposits with banks	12,837		12,837
	Rs. 33,861	**Rs. 398**	**Rs. 34,259**
Non-current portion			
Investment in units of mutual funds	Rs. 213	Rs. 6	Rs. 219
Investment in equity securities[1]	1,456	1,131	2,587
Term deposits with banks	11		11
	Rs. 1,680	**Rs. 1,137**	**Rs. 2,817**

(1) Primarily represents the shares of Curis, Inc. Refer to Note 33 for further details.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

10. Other investments (continued)

As of March 31, 2014, all of such investments were current, the details of which are as follows:

	Cost	Gain recognized directly in equity	Fair value
Investment in units of mutual funds	Rs. 10,676	Rs. 86	Rs. 10,762
Investment in equity securities	3	20	23
Term deposits with banks	14,298		14,298
	Rs. 24,977	**Rs. 106**	**Rs. 25,083**

11. Inventories

Inventories consist of the following:

	As of March 31,	
	2015	2014
Raw materials	Rs. 6,753	Rs. 6,127
Packing materials, stores and spares	1,981	1,626
Work-in-progress	6,769	6,619
Finished goods	10,026	9,620
	Rs. 25,529	**Rs. 23,992**

The above table includes inventories amounting to Rs.901 and Rs.612, which were carried at fair value less cost to sell as at March 31, 2015 and 2014, respectively.

During the years ended March 31, 2015, 2014 and 2013, the Company recorded inventory write-downs of Rs.3,635, Rs.1,941 and Rs.1,887, respectively. These adjustments were included in cost of revenues.

Cost of revenues for the years ended March 31, 2015, 2014 and 2013 includes raw materials, consumables and changes in finished goods and work in progress recognized in the income statement amounting to Rs.36,806, Rs.31,711 and Rs.33,775, respectively. Cost of revenues for the years ended March 31, 2015, 2014 and 2013 includes

other expenditures recognized in the income statement amounting to Rs.25,980, Rs.24,658 and Rs.21,912, respectively.

12. Trade and other receivables

	As of March 31,	
	2015	**2014**
Trade and other receivables, gross	Rs. 41,422	Rs. 33,720
Less: Allowance for doubtful trade and other receivables	(667)	(683)
Trade and other receivables, net	**Rs. 40,755**	**Rs. 33,037**

The Company maintains an allowance for impairment of doubtful accounts based on financial condition of the customer, aging of the customer accounts receivable and historical experience of collections from customers. The activity in the allowance for impairment of trade account receivables is given below:

	Year Ended March 31,	
	2015	**2014**
Balance at the beginning of the year	Rs. 683	Rs. 549
Provision for doubtful trade and other receivables	168	162
Trade and other receivables written off and exchange differences	(184)	(28)
Balance at the end of the year	**Rs. 667**	**Rs. 683**

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

13. Other assets

Other assets consist of the following:

	As of March 31, 2015	As of March 31, 2014
Current		
Balances and receivables from statutory authorities [1]	Rs. 5,268	Rs. 5,390
Export benefits receivable [2]	2,572	2,595
Prepaid expenses	695	537
Others	2,747	2,810
	Rs. 11,282	**Rs. 11,332**
Non-current		
Deposits	Rs. 536	Rs. 438
Others	226	57
	Rs. 762	**Rs. 495**

(1) Balances and receivables from statutory authorities primarily consist of amounts receivable from the excise, value added tax and customs authorities of India and the unutilized excise input credits on purchases. These are regularly utilized to offset the Indian excise and service tax liability on goods produced by and services provided by the Company. Accordingly, these balances have been classified as current assets.

(2) Export benefits receivables primarily consist of amounts receivable from various government authorities of India towards incentives on export sales made by the Company.

14. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	As of March 31, 2015	As of March 31, 2014
Cash balances	Rs. 3	Rs. 3

Balances with banks	3,939	4,580
Term deposits with banks (original maturities up to 3 months)	1,452	3,868
Cash and cash equivalents in the statement of financial position	**5,394**	**8,451**
Bank overdrafts used for cash management purposes		
Cash and cash equivalents in the statement of cash flow	**Rs. 5,394**	**Rs. 8,451**

Cash and cash equivalents included restricted cash of Rs.1,971 and Rs.343, respectively, as of March 31, 2015 and March 31, 2014, which consisted of:

Rs.57 as of March 31, 2015 and Rs.83 as of March 31, 2014, representing amounts in the Company s unclaimed dividend and debenture interest accounts;

Rs.1,796 as of March 31, 2015 and Rs.25 as of March 31, 2014, representing cash and cash equivalents of the Company s subsidiary in Venezuela, which are subject to foreign exchange controls;

Rs.107 as of March 31, 2015 and Rs.115 as of March 31, 2014, representing amounts deposited as security for a bond executed for an environmental liability relating to the Company s site in Mirfield, United Kingdom;

Rs.0 as of March 31, 2015 and Rs.96 as of March 31, 2014, representing amounts deposited in an escrow account pursuant to a research and collaboration arrangement entered with Um Pharmauji Sdn. Bhd., Malaysia; and

Rs.11 as of March 31, 2015 and Rs.24 as of March 31, 2014, representing other restricted cash amounts.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

15. Equity

	Year Ended March 31, 2015	2014
Par value per share	Rs. 5	Rs. 5
Authorized share capital	1,200	1,200
Fully paid up share capital		
As at April 1	Rs. 851	Rs. 849
Add: Shares issued on exercise of stock options	1	2
As at March 31	**Rs. 852**	**Rs. 851**

The Company presently has only one class of equity shares. For all matters submitted to vote in a shareholders meeting of the Company, every holder of an equity share, as reflected in the records of the Company on the date of the shareholders meeting shall have one vote in respect of each share held.

Should the Company declare and pay any dividends, such dividends will be paid in Indian rupees to each holder of equity shares in proportion to the number of shares held to the total equity shares outstanding as on that date. Indian law on foreign exchange governs the remittance of dividends outside India.

In the event of liquidation of the Company, all preferential amounts, if any, shall be discharged by the Company. The remaining assets of the Company shall be distributed to the holders of equity shares in proportion to the number of shares held to the total equity shares outstanding as on that date.

Final dividends on equity shares (including dividend tax on distribution of such dividends) are recorded as a liability on the date of their approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company s Board of Directors. The Company paid dividends of Rs.3,067, Rs.2,552 and Rs.2,336 and dividend distribution tax thereon of Rs.520, Rs.433 and Rs.378 during the years ended March 31, 2015, 2014 and 2013, respectively. The dividend paid per share was Rs.18, Rs.15 and Rs.13.75 during the years ended March 31, 2015, 2014 and 2013, respectively.

At the Company s Board of Directors meeting held on May 12, 2015, the Board proposed a dividend per share of Rs.20 and aggregating to Rs.3,408 which is subject to the approval of the Company s shareholders. Upon such approval, there will be an additional cash outflow of Rs.694 for payment of dividend distribution tax thereon.

16. Earnings per share

The calculation of basic and diluted earnings per share for the years ended March 31, 2015, 2014 and 2013 was based on the profit attributable to equity shareholders of Rs.22,179, Rs.21,515 and Rs.16,777, respectively.

The weighted average number of equity shares outstanding, used for calculating the basic earnings per share, are as follows:

	Year Ended March 31,		
	2015	**2014**	**2013**
Issued equity shares as on April 1	170,108,868	169,836,475	169,560,346
Effect of shares issued on exercise of stock options	205,638	208,043	217,112
Weighted average number of equity shares at March 31	170,314,506	170,044,518	169,777,458
Earnings per share Basic	Rs.130.22	Rs.126.52	Rs.98.82

The weighted average number of equity shares outstanding, used for calculating the diluted earnings per share, are as follows:

	Year Ended March 31,		
	2015	**2014**	**2013**
Weighted average number of equity shares (Basic)	170,314,506	170,044,518	169,777,458
Dilutive effect of stock options outstanding	618,927	650,499	655,222
Weighted average number of equity shares (Diluted)	170,933,433	170,695,017	170,432,680
Earnings per share Diluted	Rs.129.75	Rs.126.04	Rs.98.44

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

17. Loans and borrowings

Short term borrowings

The Company had net short term borrowings of Rs.21,857 as of March 31, 2015, as compared to Rs.20,607 as of March 31, 2014. The borrowings primarily consist of packing credit and other rupee loans drawn by the parent company and other foreign currency unsecured loans drawn by the Company s Swiss subsidiary.

Short term borrowings consist of the following:

	As at March 31,	
	2015	**2014**
Packing credit borrowings	Rs. 20,857	Rs. 17,630
Other foreign currency borrowings		2,977
Other rupee borrowings	1,000	
	Rs. 21,857	**Rs. 20,607**

The interest rate profile of short term borrowings from banks is given below:

	As at March 31,			
	2015		**2014**	
	Currency	**Interest Rate**	**Currency**	**Interest Rate**
Packing credit borrowings	USD	LIBOR + 10 to 40 bps	USD	LIBOR + 25 to 85 bps
	EURO	LIBOR + 7.5 to 20 bps	EURO	LIBOR + 20 bps
	RUB	9.80% to 22.30%	RUB	7.20% to 7.75%
			RUB	Mosprime + 60 bps
			INR	9.50% to 10%
Other foreign currency borrowings			EURO	LIBOR + 90 bps
Other rupee borrowings	INR	10%		

Long term borrowings

Long term borrowings, measured at amortized cost, consist of the following:

	As at March 31	
	2015	**2014**
Foreign currency borrowing by the Company s Swiss subsidiary	Rs. 10,292	Rs. 13,103
Foreign currency borrowing by the parent company	9,375	8,987
Foreign currency borrowing by the Company s U.K. subsidiary	740	998
Obligations under finance leases	862	1,047
	Rs. 21,269	**Rs. 24,135**
Current portion		
Foreign currency borrowing by the Company s Swiss subsidiary	Rs. 6,875	Rs. 3,295
Obligations under finance leases	87	100
	Rs. 6,962	**Rs. 3,395**
Non-current portion		
Foreign currency borrowing by the Company s Swiss subsidiary	Rs. 3,417	Rs. 9,808
Foreign currency borrowing by the parent company	9,375	8,987
Foreign currency borrowing by the Company s U.K. subsidiary	740	998
Obligations under finance leases	775	947
	Rs. 14,307	**Rs. 20,740**

In the above table, the term Swiss subsidiary refers to Dr. Reddy s Laboratories, SA and the term U.K. Subsidiary refers to Dr. Reddy s Laboratories (EU) Limited.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

17. Loans and borrowings (continued)

Long term borrowings (continued)

Long-term bank loan of Swiss Subsidiary

During the year ended March 31, 2012, Dr. Reddy s Laboratories, SA (one of the Company s subsidiaries in Switzerland) (the Swiss Subsidiary) borrowed the sum of U.S.$220 from certain institutional lenders. The Swiss Subsidiary is required to repay the loan in eight equal quarterly installments commencing at the end of the 39th month and continuing until the end of the 60th month from September 30, 2011. The parent company has guaranteed all obligations of the Swiss Subsidiary under the loan agreement.

As part of this arrangement, the Company incurred an amount of U.S.$3.73 in arrangement fees and other administrative charges. The Company accounted for these costs as transaction costs under IAS 39 and they are being amortized over the term of the loan using the effective interest method. The carrying amount of this loan, measured at amortized cost using the effective interest rate method, as on March 31, 2015 and 2014 was Rs.10,292 and Rs.13,103, respectively.

During the year ended March 31, 2015, the Swiss subsidiary repaid two installments totaling U.S.$55 due under the loan agreement.

The loan agreement imposes various financial covenants on both the parent company and the Swiss Subsidiary. As of March 31, 2015, the Company was in compliance with such financial covenants.

Long-term bank loan of the parent company

During the year ended March 31, 2014, the Company borrowed the sum of U.S.$150. The Company is required to repay the loan in five equal quarterly installments commencing at the end of the 54th month and continuing until the end of the 66th month after August 12, 2013.

The loan agreement imposes various financial covenants on the Company. As of March 31, 2015, the Company was in compliance with such financial covenants.

Undrawn lines of credit from bankers

The Company has undrawn lines of credit of Rs.10,438 and Rs.14,596 as of March 31, 2015 and 2014, respectively, from its bankers for working capital requirements. The Company has the right to draw upon these lines of credit based on its requirements.

Non-derivative financial liabilities designated as cash flow hedges

The Company has designated some of its foreign currency borrowings from banks (non-derivative financial liabilities) as hedging instruments for hedge of foreign currency risk associated with highly probable forecasted transactions and, accordingly, applies cash flow hedge accounting for such relationships. Re-measurement gain/loss on such non-derivative financial liabilities is recorded in the Company s hedging reserve as a component of equity and re-classified to the income statement as revenue in the period corresponding to the occurrence of the forecasted transactions. The carrying value of such non-derivative financial liabilities as of March 31, 2015 and March 31, 2014 was Rs.10,313 and Rs.13,181, respectively.

The interest rate profile of long-term borrowings (other than obligations under finance leases) is given below:

	As at March 31,			
	2015		2014	
	Currency	Interest Rate	Currency	Interest Rate
Foreign currency borrowings	USD	LIBOR+100 to 125 bps	USD	LIBOR+100 to 179 bps
	GBP	LIBOR+130 bps	GBP	LIBOR+130 bps

The aggregate maturities of long term loans and borrowings, based on contractual maturities, as of March 31, 2015 were as follows:

Maturing in the year ending March 31,	Foreign currency loan	Obligations under finance leases	Total
2016	Rs. 6,875	Rs. 87	Rs. 6,962
2017	4,177	89	4,266
2018	1,875	82	1,957
2019	7,500	48	7,548
2020		44	44
Thereafter		512	512
	Rs. 20,427	**Rs. 862**	**Rs. 21,289**

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

17. Loans and borrowings (continued)

Long term borrowings (continued)

The aggregate maturities of long term loans and borrowings, based on contractual maturities, as of March 31, 2014 were as follows:

Maturing in the year ending March 31,	Foreign currency loan	Obligations under finance leases	Total
2015	Rs. 3,295	Rs. 100	Rs. 3,395
2016	6,591	96	6,687
2017	4,293	69	4,362
2018	1,797	48	1,845
2019	7,190	50	7,240
Thereafter		684	684
	Rs. 23,166	**Rs. 1,047**	**Rs. 24,213**

Obligations under finance leases

The Company has leased buildings, plant and machinery and vehicles under finance leases. Future minimum lease payments under finance leases as at March 31, 2015 were as follows:

Particulars	Present value of minimum lease payments	Interest	Future minimum lease payments
Not later than one year	Rs. 87	Rs. 117	Rs. 204
Between one and five years	263	249	512
More than five years	512	185	697

	Rs. 862	**Rs. 551**	**Rs. 1,413**

Future minimum lease payments under finance leases as at March 31, 2014 were as follows:

Particulars	**Present value of minimum lease payments**	**Interest**	**Future minimum lease payments**
Not later than one year	Rs. 100	Rs. 122	Rs. 222
Between one and five years	263	272	535
More than five years	684	206	890
	Rs. 1,047	**Rs. 600**	**Rs. 1,647**

18. 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 September 1, 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 primarily invested in Indian government bonds and corporate debt securities. A small portion of the fund is also invested in equity securities of Indian companies.

The components of gratuity cost recognized in the income statement for the years ended March 31, 2015, 2014 and 2013 consist of the following:

	For the Year Ended March 31,		
	2015	**2014**	**2013**
Current service cost	Rs. 148	Rs. 126	Rs. 93
Interest on net defined benefit liability/(asset)	7	9	(2)
Gratuity cost recognized in income statement	**Rs. 155**	**Rs. 135**	**Rs. 91**

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

18. Employee benefits (continued)

Details of the employee benefits obligations and plan assets are provided below:

	As of March 31,	
	2015	**2014**
Present value of funded obligations	Rs. 1,236	Rs. 1,040
Fair value of plan assets	(1,157)	(909)
Net defined benefit liability recognized	**Rs. 79**	**Rs. 132**

Details of changes in the present value of defined benefit obligations are as follows:

	As of March 31,	
	2015	**2014**
Defined benefit obligations at the beginning of the year	Rs. 1,040	Rs. 875
Current service cost	148	126
Interest on defined obligations	87	65
Re-measurements due to:		
Actuarial loss/(gain) due to change in financial assumptions	12	3
Actuarial loss/(gain) due to demographic assumptions	6	
Actuarial loss/(gain) due to experience changes	27	42
Benefits paid	(84)	(70)
Defined benefit obligations at the end of the year	**Rs. 1,236**	**Rs. 1,040**

Details of changes in the fair value of plan assets are as follows:

	As of March 31,	
	2015	**2014**
Fair value of plan assets at the beginning of the year	Rs. 909	Rs. 707

Employer contributions	209	201
Interest on plan assets	80	56
Re-measurements due to:		
Return on plan assets excluding interest on plan assets	43	15
Benefits paid	(84)	(70)
Plan assets at the end of the year	**Rs. 1,157**	**Rs. 909**

Sensitivity Analysis:

	As of March 31, 2015
Defined benefit obligation without effect of projected salary growth	Rs. 676
Add: Effect of salary growth	560
Defined benefit obligation with projected salary growth	1,236
Defined benefit obligation, using discount rate minus 50 basis points	1,284
Defined benefit obligation, using salary growth rate plus 50 basis points	1,283

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

18. Employee benefits (continued)

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:

	Year Ended March 31,		
	2015	**2014**	**2013**
Discount rate	8.00%	9.00%	7.95%
Rate of compensation increase	10% per annum for first 2 years and 9% per annum thereafter	11% per annum for first 2 years and 10% per annum thereafter	10% per annum for first 2 years and 9% per annum thereafter

The assumptions used to determine gratuity cost:

	Year Ended March 31,		
	2015	**2014**	**2013**
Discount rate	9.00%	7.95%	8.60%
Rate of compensation increase	11% per annum for first 2 years and 10% per annum thereafter	10% per annum for first 2 years and 9% per annum thereafter	9% per annum for first year and 8% per annum thereafter

Contributions: The Company expects to contribute Rs.100 to the Gratuity Plan during the year ending March 31, 2016.

Disaggregation of plan assets: The Gratuity Plan s weighted-average asset allocation at March 31, 2015 and 2014, by asset category, was as follows:

	As of March 31,	
	2015	**2014**
Funds managed by insurers	99%	99%
Others	1%	1%

The expected future cash flows in respect of gratuity as at March 31, 2015 were as follows:

Expected contribution	Amount
During the year ended March 31, 2016 (estimated)	Rs. 100
Expected future benefit payments	
March 31, 2016	151
March 31, 2017	161
March 31, 2018	172
March 31, 2019	193
March 31, 2020	223
Thereafter	1,231

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.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

18. Employee benefits (continued)

The components of net pension cost recognized in the income statement for the years ended March 31, 2015, 2014 and 2013 consist of the following:

	For the Year Ended March 31,		
	2015	**2014**	**2013**
Current service cost	Rs. 13	Rs. 18	Rs. 16
Interest on net defined benefit liability/(asset)	9	11	5
Total cost recognized in income statement	**Rs. 22**	**Rs. 29**	**Rs. 21**

Details of the employee benefits obligation and plan assets are provided below:

	As of March 31,	
	2015	**2014**
Present value of funded obligations	Rs. 252	Rs. 252
Fair value of plan assets	(68)	(110)
Net defined benefit liability recognized	**Rs. 184**	**Rs. 142**

Details of changes in the present value of defined benefit obligations are as follows:

	As of March 31,	
	2015	**2014**
Defined benefit obligations at the beginning of the year	Rs. 252	Rs. 301
Current Service cost	13	18
Interest on defined obligations	18	20
Re-measurements due to:		
Actuarial loss/(gain) due to change in financial assumptions	13	(45)
Actuarial loss/(gain) due to experience changes	25	(28)
Benefits paid	(42)	(29)

Foreign exchange differences	(27)	15
Defined benefit obligations at the end of the year	**Rs. 252**	**Rs. 252**

Details of changes in the fair value of plan assets are as follows:

	As of March 31,	
	2015	**2014**
Fair value of plan assets at the beginning of the year	Rs. 110	Rs. 125
Employer contributions	3	
Interest on plan assets	9	10
Re-measurements due to:		
Return on plan assets excluding interest on plan assets	(2)	(2)
Benefits paid	(42)	(29)
Foreign exchange differences	(11)	6
Plan assets at the end of the year	**Rs. 68**	**Rs. 110**

Sensitivity Analysis:

	As of March 31, 2015
Defined benefit obligation without effect of projected salary growth	Rs. 159
Plus effect of salary growth	94
Defined benefit obligation with projected salary growth	252
Defined benefit obligation, using discount rate minus 50 basis points	266
Defined benefit obligation, using salary growth rate plus 50 basis points	266

Contributions: The Company expects to contribute Rs.41 to the Falcon defined benefit plans during the year ending March 31, 2016.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

18. Employee benefits (continued)

Summary of the actuarial assumptions: The actuarial assumptions used in accounting for the Falcon defined benefit plans are as follows:

Assumptions used to determine defined benefit obligations:

	Year Ended March 31,		
	2015	**2014**	**2013**
Discount rate	7.50%	8.00%	6.50%
Rate of compensation increase	4.50%	4.50%	4.50%

Assumptions used to determine defined benefit cost:

	Year Ended March 31,		
	2015	**2014**	**2013**
Discount rate	8.00%	6.50%	7.50%
Rate of compensation increase	4.50%	4.50%	4.50%

Plan assets: The Falcon pension plan s weighted-average asset allocation at March 31, 2015 and 2014, by asset category is as follows:

	As of March 31,	
	2015	**2014**
Corporate bonds	51%	51%
Others	49%	49%

The expected future cash flows in respect of post-employment benefit plans in Mexico as at March 31, 2015 were as follows:

Expected contribution	**Amount**
During the year ended March 31, 2016 (estimated)	Rs. 41
Expected future benefit payments	

March 31, 2016	4
March 31, 2017	4
March 31, 2018	6
March 31, 2019	9
March 31, 2020	12
Thereafter	119

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 Rs.492, Rs.411 and Rs.349 to the provident fund plan during the years ended March 31, 2015, 2014 and 2013, 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 Rs.68, Rs.63 and Rs.56 to the superannuation plan during the years ended March 31, 2015, 2014 and 2013, 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 Rs.195, Rs.162 and Rs.125 to the 401(k) retirement savings plan during the years ended March 31, 2015, 2014 and 2013, 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 Rs.151, Rs.151 and Rs.128 to the National Insurance during the years ended March 31, 2015, 2014 and 2013, respectively.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

18. Employee benefits (continued)

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 unutilized compensated absences and utilize 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 Rs.616 and Rs.463 as at March 31, 2015 and 2014, 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 Rs.323 as of March 31, 2015.

Total employee benefit expenses, including share based payments, incurred during the years ended March 31, 2015, 2014 and 2013 amounted to Rs.28,967, Rs.24,937 and Rs.20,413, respectively.

19. 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 September 24, 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) administers 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 July 28, 2004 and on July 27, 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., Rs.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**

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

19. Employee stock incentive plans (continued)

Dr. Reddy s Employees Stock Option Plan -2002 (the DRL 2002 Plan) (continued)

Stock option activity under the DRL 2002 Plan for the two categories of options during the years ended March 31, 2015 and 2014 is as follows:

	Year Ended March 31, 2015			
	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Category A Fair Market Value Options				
Outstanding at the beginning of the period	10,000	Rs. 448	Rs. 448	44
Granted during the period				
Expired/forfeited during the period				
Exercised during the period	(10,000)	Rs. 448	Rs. 448	
Outstanding at the end of the period				
Exercisable at the end of the period				

	Year Ended March 31, 2015			
	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Category B Par Value Options				

Outstanding at the beginning of the period	641,674	Rs.	5.00	Rs.	5.00	78
Granted during the period	230,840		5.00		5.00	90
Expired/forfeited during the period	(59,148)		5.00		5.00	
Exercised during the period	(227,912)		5.00		5.00	
Outstanding at the end of the period	**585,454**	**Rs.**	**5.00**	**Rs.**	**5.00**	**71**
Exercisable at the end of the period	**43,425**	**Rs.**	**5.00**	**Rs.**	**5.00**	**40**

	Year Ended March 31, 2014					
	Shares arising out of options	Range of exercise prices		Weighted average exercise price		Weighted average remaining useful life (months)
Category A Fair Market Value Options						
Outstanding at the beginning of the period	11,000	Rs.	373.50-448	Rs.	441.23	52
Granted during the period						
Expired/forfeited during the period	(1,000)		373.50		373.50	
Exercised during the period						
Outstanding at the end of the period	**10,000**	**Rs.**	**448**	**Rs.**	**448**	**44**
Exercisable at the end of the period	**10,000**	**Rs.**	**448**	**Rs.**	**448**	**44**

	Year Ended March 31, 2014					
	Shares arising out of options	Range of exercise prices		Weighted average exercise price		Weighted average remaining useful life (months)
Category B Par Value Options						
Outstanding at the beginning of the period	684,259	Rs.	5.00	Rs.	5.00	71
Granted during the period	258,870		5.00		5.00	90
Expired/forfeited during the period	(60,315)		5.00		5.00	
Exercised during the period	(241,140)		5.00		5.00	
Outstanding at the end of the period	**641,674**	**Rs.**	**5.00**	**Rs.**	**5.00**	**78**

Exercisable at the end of the period	**50,818**	**Rs.**	**5.00**	**Rs.**	**5.00**		**42**

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

19. Employee stock incentive plans (continued)

Dr. Reddy s Employees Stock Option Plan -2002 (the DRL 2002 Plan) (continued)

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 March 31, 2015 and 2014 was Rs.2,318 and Rs.2,036 per option, respectively. The weighted average share price on the date of exercise of options during the years ended March 31, 2015 and 2014 was Rs.2,525 and Rs.2,143 per share, respectively.

The aggregate intrinsic value of options exercised under the DRL 2002 Plan (both category A and B) during the years ended March 31, 2015 and 2014 was Rs.595 and Rs.516, respectively. As of March 31, 2015, options outstanding under the DRL 2002 Plan (both category A and B) had an aggregate intrinsic value of Rs.2,040 and options exercisable under the DRL 2002 Plan (both category A and B) had an aggregate intrinsic value of Rs.151.

The term of the DRL 2002 plan was extended for a period of 10 years effective as of January 29, 2012 by the shareholders at the Company s Annual General Meeting held on July 20, 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 July 27, 2005. The DRL 2007 Plan became effective upon its approval by the Board of Directors on January 22, 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., Rs.5 per option).

No options have been granted under Category A as of March 31, 2015. Stock options activity for category B options under the DRL 2007 Plan during the years ended March 31, 2015 and 2014 is as follows:

	Year Ended March 31, 2015			
	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Category B Par Value Options				
Outstanding at the beginning of the period	97,463	Rs.5.00	Rs.5.00	79
Granted during the period	45,796	5.00	5.00	90
Expired/forfeited during the period	(10,515)	5.00	5.00	
Exercised during the period	(34,394)	5.00	5.00	
Outstanding at the end of the period	**98,350**	**Rs.5.00**	**Rs.5.00**	**72**
Exercisable at the end of the period	**6,730**	**Rs.5.00**	**Rs.5.00**	**42**

	Year Ended March 31, 2014			
	Shares arising out of options	Range of exercise prices	Weighted average exercise price	Weighted average remaining useful life (months)
Category B Par Value Options				
Outstanding at the beginning of the period	98,608	Rs. 5.00	Rs. 5.00	73
Granted during the period	44,240	5.00	5.00	90
Expired/forfeited during the period	(14,132)	5.00	5.00	
Exercised during the period	(31,253)	5.00	5.00	
Outstanding at the end of the period	**97,463**	**Rs. 5.00**	**Rs. 5.00**	**79**
Exercisable at the end of the period	**7,265**	**Rs. 5.00**	**Rs. 5.00**	**44**

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

19. Employee stock incentive plans (continued)

Dr. Reddy s Employees ADR Stock Option Plan, 2007 (the DRL 2007 Plan) (continued)

The weighted average grant date fair value of par value options granted under category B of the DRL 2007 Plan during the years ended March 31, 2015 and 2014 was Rs.2,283 and Rs.2,036, respectively. The weighted average share price on the date of exercise of options during the year ended March 31, 2015 and 2014 was Rs.2,604 and Rs.2,122, respectively.

The aggregate intrinsic value of options exercised under the DRL 2007 Plan during the year ended March 31, 2015 and 2014 was Rs.89 and Rs.66, respectively. As of March 31, 2015, options outstanding under the DRL 2007 Plan had an aggregate intrinsic value of Rs.343 and options exercisable under the DRL 2007 Plan had an aggregate intrinsic value of Rs.23.

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:

	Grants made on			
	July 14, 2014	**June 15, 2014**	**May 25, 2014**	**May 13, 2013**
Expected volatility	23.20%	23.15%	22.52%	20.50%
Exercise price	Rs. 5.00	Rs. 5.00	Rs. 5.00	Rs. 5.00
Option life	2.5 Years	2.5 Years	2.5 Years	2.5 Years
Risk-free interest rate	8.55%	8.38%	8.50%	7.43%
Expected dividends	0.67%	0.74%	0.78%	0.72%
Grant date share price	Rs. 2,695.00	Rs. 2,445.15	Rs. 2,308.70	Rs. 2,077.30

In addition to the above, during the year ended March 31, 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 March 31, 2017 and eligible employees are granted stock options upon meeting such targets. The stock options so granted are ultimately vested with the employees who meet subsequent service vesting conditions which range from 1 to 4 years. After vesting, such stock options generally have a maximum contractual term of five years.

The fair value of services received in return for stock options granted to employees is measured by reference to the fair value of stock options granted. The fair value of stock options has been measured using the Black-Scholes-Merton valuation model at the date of the grant.

Share-based payment expense

For the years ended March 31, 2015, 2014 and 2013, the Company recorded employee share based payment expense of Rs.498, Rs.436 and Rs.390, respectively. As of March 31, 2015, there was approximately Rs.558 of total unrecognized compensation cost related to unvested stock options. This cost is expected to be recognized over a weighted-average period of 3.60 years.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

20. Provisions

The details of changes in provisions during the year ended March 31, 2015 are as follows:

Particulars	Allowance for sales return(1)	Environmental liability (2)	Legal and others	Total
Balance as at April 1, 2014	Rs. 2,504	Rs. 58	Rs. 349	Rs. 2,911
Provision made during the year	3,535		12	3,547
Provision used or reversed during the year	(2,184)		(35)	(2,219)
Effect of changes in foreign exchange rates	50	(5)		45
Balance as at March 31, 2015	**Rs. 3,905**	**Rs. 53**	**Rs. 326**	**Rs. 4,284**
Current	Rs. 3,905	Rs.	Rs. 326	Rs. 4,231
Non-current		53		53
	Rs. 3,905	**Rs. 53**	**Rs. 326**	**Rs. 4,284**

(1) Provision for sales returns is accounted by recording a provision based on the Company s estimate of expected sales returns. See Note 3(l) for the Company s accounting policy on sales returns.

(2) As a result of the acquisition of a unit of The Dow Chemical Company in April 2008, the Company assumed a liability for contamination of the Mirfield site acquired amounting to Rs.39 (carrying value Rs.53). The seller is required to indemnify the Company for this liability. Accordingly, a corresponding asset has also been recorded in the statements of financial position. During the year ended March 31, 2011, the Company was required to provide security for such environmental liabilities and, accordingly, the Company has deposited Rs.83 (carrying value Rs.107) as additional security and recorded the same as restricted cash.

21. Trade and other payables

Trade and other payables consist of the following:

As at March 31,

	2015	2014
Due to related parties	Rs. 4	Rs. 1
Others	10,656	10,502
	Rs. 10,660	**Rs. 10,503**

22. Other liabilities

Other liabilities consist of the following:

	As at March 31,	
	2015	2014
Current		
Advance from customers	Rs. 280	Rs. 306
Statutory dues payable	596	451
Accrued expenses	12,529	11,138
Deferred revenue	776	372
Others	3,136	2,975
	Rs. 17,317	**Rs. 15,242**
Non-current		
Statutory dues payable	Rs. 8	Rs. 8
Deferred revenue	2,112	959
Others	1,206	816
	Rs. 3,326	**Rs. 1,783**

23. Revenue

Revenue consists of the following:

	Year Ended March 31,		
	2015	2014	2013
Sales	Rs. 146,131	Rs. 130,287	Rs. 113,917
Services	1,689	1,632	2,070
License fees	369	251	279
	Rs. 148,189	**Rs. 132,170**	**Rs. 116,266**

Revenue includes excise duties of Rs.829, Rs.820 and Rs.718 for the years ended March 31, 2015, 2014 and 2013, respectively.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

24. Other (income)/expense, net

Other (income)/expense, net consists of the following:

	Year Ended March 31,		
	2015	**2014**	**2013**
Loss/(profit) on sale of property, plant and equipment and intangibles, net	Rs. 144	Rs. (53)	Rs. (143)
Sale of spent chemical	(521)	(481)	(588)
Miscellaneous income[1]	(540)	(882)	(1,580)
Provision/(reversal of provision) for expected claim from an innovator[2]			(168)
	Rs. (917)	**Rs. (1,416)**	**Rs. (2,479)**

(1) Miscellaneous income for the year ended March 31, 2014 includes Rs.415 (CAD6.75) from the resolution of litigation associated with the sale of one of the Company s generic products in North America.

Miscellaneous income for the year ended March 31, 2013, includes Rs.1,112 towards settlement of the Company s ongoing litigation with Nordion Inc. (formerly known as MDS Inc.). During March 2013, the Company entered into an agreement with Nordion Inc. to settle its ongoing litigation for alleged breach of service obligations by Nordion Inc. during the years 2000 to 2004. As part of the settlement, the Company received a total amount of Rs.1,220 (U.S.$22.5) from Nordion Inc., out of which Rs.108 (U.S.$2) was towards reimbursement of research and development cost and was recorded as a reduction in such cost. The balance of Rs.1,112 (U.S.$20.5) was compensation for lost profits and was recorded as part of other income.

(2) This reversal of provision of Rs.168 for expected claim from an innovator pertains to the resolution of litigation surrounding the Company s sales of olanazapine in Canada.

25. Finance (expense)/income, net

Finance (expense)/income, net consists of the following:

	Year Ended March 31,		
	2015	**2014**	**2013**
Interest income	Rs. 1,061	Rs. 1,085	Rs. 900
Dividend and profit on sale of other investments [1]	755	217	213
Foreign exchange gain, net [2]	958	372	365
Interest expense	(1,092)	(1,274)	(1,018)
	Rs. 1,682	**Rs. 400**	**Rs. 460**

(1) Profit on sale of other investments primarily represents amounts reclassified from other comprehensive income to the income statement on redemption of the Company s available for sale financial instruments.

(2) During the year ended March 31, 2015, the Company recorded a foreign exchange loss of Rs.843 on translation of certain monetary assets and liabilities of its subsidiary in Venezuela. Refer to Note 39 for further details.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

26. Income taxes

a. Income tax (expense)/benefit recognized in the income statement

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

	Year Ended March 31,		
	2015	**2014**	**2013**
Current taxes			
Domestic	Rs. (4,461)	Rs. (5,090)	Rs. (4,310)
Foreign	(2,545)	(1,472)	(2,141)
	Rs. (7,006)	**Rs. (6,562)**	**Rs. (6,451)**
Deferred taxes (expense)/benefit			
Domestic	Rs. 637	Rs. (294)	Rs. (257)
Foreign	385	1,762	1,808
	Rs. 1,022	**Rs. 1,468**	**Rs. 1,551**
Total income tax expense recognized in the income statement	**Rs. (5,984)**	**Rs. (5,094)**	**Rs. (4,900)**

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

Income tax (expense)/benefit recognized directly in equity consist of the following:

	Year Ended March 31,		
	2015	**2014**	**2013**
Tax effect on changes in fair value of other investments	Rs. (366)	Rs. (14)	Rs. (12)
Tax effect on foreign currency translation differences	174	(2)	(7)
Tax effect on effective portion of change in fair value of cash flow hedges	96	80	(722)

Tax effect on actuarial gains/losses on defined benefit obligations	16	(20)	68
	Rs. (80)	**Rs. 44**	**Rs. (673)**

c. ***Reconciliation of effective tax rate***

The following is a reconciliation of the Company s effective tax rates for the years ended March 31, 2015, 2014 and 2013:

	Year Ended March 31,		
	2015	**2014**	**2013**
Profit before income taxes	**Rs. 28,163**	**Rs. 26,606**	**Rs.21,676**
Enacted tax rate in India	33.99%	33.99%	32.45%
Computed expected tax benefit/(expense)	**Rs. (9,572)**	**Rs. (9,043)**	**Rs. (7,034)**
Effect of:			
Differences between Indian and foreign tax rates	Rs. 566	Rs. 1,003	Rs. 1,207
Impairment of product related intangibles and goodwill		169	(214)
(Unrecognized)/recognition of previously unrecognized deferred tax assets, net	18	(687)	(332)
Expenses not deductible for tax purposes	(110)	(117)	(203)
Share-based payment expense		684	(105)
Interest expense not deductible for tax purposes			(25)
Income exempt from income taxes	794	661	412
Foreign exchange differences	(380)	230	(131)
Incremental deduction allowed for research and development costs	2,265	2,026	1,311
Qualified domestic production activities deduction in the United States	4	9	51
Effect of change in tax rate	(25)		(60)
Investment allowance deduction	251	67	
Others	205	(96)	223
Income tax benefit/(expense)	**Rs. (5,984)**	**Rs. (5,094)**	**Rs. (4,900)**
Effective tax rate	**21%**	**19%**	**23%**

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

26. Income taxes (continued)

The Company s consolidated weighted average tax rates for the years ended March 31, 2015 and 2014 were 21% and 19%, respectively. Income tax expense was Rs.5,984 for the year ended March 31, 2015, as compared to income tax expense of Rs.5,094 for the year ended March 31, 2014. The effective tax rate for the year ended March 31, 2014 was lower primarily as a result of a favorable order from the Income Tax Appellate Tribunal, Hyderabad, India on a previously litigated tax matter relating to deductibility of share-based payment expense.

The rate of weighted deduction on the Company s eligible research and development expenditure was equal to 200% for the years ended March 31, 2015 and 2014, respectively.

d. Unrecognized deferred tax assets and liabilities

The details of unrecognized deferred tax assets and liabilities are summarized below:

	As at March 31,	
	2015	**2014**
Deductible temporary differences, net	Rs. 590	Rs. 1,055
Operating tax loss carry forward	2,391	2,745
	Rs. 2,981	**Rs. 3,800**

During the year ended March 31, 2015, the Company, based on probable future taxable profit, has recognized previously unrecognized deferred tax assets of Rs.485 pertaining primarily to interest loss carry forward in Reddy Holding GmbH, Germany.

During the year ended March 31, 2015, the Company did not recognize deferred tax assets on tax losses of Rs.313 pertaining primarily to Dr. Reddy s Laboratories New York, Inc. The above tax losses expire at various dates ranging from 2016 through 2036.

Deferred income taxes are not provided on undistributed earnings of Rs.43,921 and Rs.34,156 as at March 31, 2015 and 2014, respectively, of subsidiaries outside India, where it is expected that earnings of the subsidiaries will not be distributed in the foreseeable future. The Company indefinitely reinvests all the accumulated undistributed earnings of 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:

	Year Ended March 31,	
	2015	**2014**
Deferred tax assets/(liabilities):		
Inventory	Rs. 3,477	Rs. 3,875
Minimum Alternate Tax*	644	
Trade and other receivables	1,275	970
Operating tax loss and interest loss carry-forward	810	909
Other current assets	308	237
Property, plant and equipment	(1,230)	(1,141)
Other intangible assets	(1,145)	(1,717)
Others	(126)	177
Net deferred tax assets	**Rs. 4,013**	**Rs. 3,310**

* 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 10 years.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

26. Income taxes (continued)

In assessing the realizability of the deferred income tax assets, management considers whether some portion or all of the deferred income tax assets will not be realized. The ultimate realization of the deferred income tax assets and tax loss carry forwards is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategy in making this assessment. Based on the level of historical taxable income and projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes that the Company will realize the benefits of those recognized 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 2016 through 2036.

f. Movement in deferred tax assets and liabilities during the years ended March 31, 2015 and 2014.

	As at March 31, 2013	Recognized in income statement	Recognized in equity	Acquired in business combination	As at March 31, 2014
Deferred tax assets/(liabilities)					
Inventory	Rs. 2,250	Rs. 1,625	Rs.	Rs.	Rs. 3,875
Minimum Alternate Tax					
Trade and other receivables	711	259			970
Operating tax loss and interest loss carry-forward	1,393	(484)			909
Other current liabilities	352	(235)	120		237
Property, plant and equipment	(1,004)	(137)			(1,141)
Intangible assets	(1,962)	245			(1,717)
Others	74	117	(14)		177
Net deferred tax assets/(liabilities)	**Rs. 1,814**	**Rs. 1,390**	**Rs. 106**	**Rs.**	**Rs. 3,310**

[Continued from above table, first column(s) repeated]

	As at March 31, 2014	Recognized in income statement	Recognized in equity	Acquired in business combination	As at March 31, 2015
Deferred tax assets/(liabilities)					
Inventory	Rs. 3,875	Rs. (398)	Rs.	Rs.	Rs. 3,477
Minimum Alternate Tax		644			644
Trade and other receivables	970	305			1,275
Operating tax loss and interest loss carry-forward	909	(99)			810
Other current liabilities	237	179	(108)		308
Property, plant and equipment	(1,141)	(89)			(1,230)
Intangible assets	(1,717)	572			(1,145)
Others	177	(40)	(263)		(126)
Net deferred tax assets/(liabilities)	**Rs. 3,310**	**Rs. 1,074**	**Rs. (371)**	**Rs.**	**Rs. 4,013**

The amounts recognized in the income statement during the year ended March 31, 2015 and 2014 includes the amounts of Rs.52 and Rs.(79), respectively, which represent exchange differences arising due to foreign currency translations.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

27. 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 Rs.822, Rs.749 and Rs.603 for the years ended March 31, 2015, 2014 and 2013, respectively.

The schedule of future minimum rental payments in respect of non-cancellable operating leases is set out below:

	As of March 31,		
	2015	**2014**	**2013**
Less than one year	Rs. 384	Rs. 359	Rs. 209
Between one and five years	1,259	1,007	244
More than five years	852	937	121
	Rs. 2,495	**Rs. 2,303**	**Rs. 574**

During the year ended March 31, 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 Rs.1,458 (U.S.$23) and Rs.1,556 (U.S.$26) as of March 31, 2015 and March 31, 2014, respectively.

28. 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;

Ecologic Chemicals Limited for purchases and sales of active pharmaceutical ingredients and other assets; and

Stamlo Hotels Private Limited for hotel services.

These are enterprises over which key management personnel have control or significant influence. Key management personnel consists of the Company s Directors and members of the Company s Management Council.

The Company has also entered into cancellable operating lease transactions with key management personnel and their relatives.

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. See Note 18 for information on transactions between the Company and the Gratuity Fund.

The following is a summary of significant related party transactions:

	Year Ended March 31,		
	2015	2014	2013
Purchases of raw materials[1]	Rs. 5	Rs. 91	Rs. 1,356
Purchases of assets[2]		1,264	
Sales of raw materials[1]		49	728
Sales of assets		14	
Research and development services provided			0
Research and development services received	92	141	
Contributions towards social development	237	170	173
Hotel expenses paid	41	31	24
Lease rentals paid under cancellable operating leases to key management personnel and their relatives	36	36	31

(1) The figures for the year ended March 31, 2013 include balances/transactions with A.R. Life Sciences Private Limited (ARLS). ARLS is not a related party of the Company for the years ended March 31, 2014 and 2015. Accordingly, the transactions with ARLS during such periods are not included in the above summary.

(2) Towards assets acquired from Ecologic Chemicals Limited. Refer to Note 31 for further details.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

28. Related parties (continued)

The Company has the following amounts due from related parties:

	As at March 31, 2015	2014
Key management personnel (towards rent deposits)	Rs. 8	8

The Company has the following amounts due to related parties:

	As at March 31, 2015	2014
Due to related parties	Rs. 4	Rs. 1

The following table describes the components of compensation paid or payable to key management personnel for the services rendered during the year ended:

	March 31, 2015	2014	2013
Salaries and other benefits[1]	Rs. 300	Rs. 261	Rs. 267
Contributions to defined contribution plans	16	15	14
Commission to directors	285	280	255
Share-based payments expense	72	64	49
Total	**Rs. 673**	**Rs. 620**	**Rs. 585**

(1) In addition to the above, the Company has accrued an amount of Rs.67 towards a long term incentive plan, for the services rendered by key management personnel during the year ended March 31, 2015. Refer to Note 18 for further details.

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.

29. Financial instruments

Financial instruments by category

The carrying value and fair value of financial instruments by each category as at March 31, 2015 were as follows:

	Note	Loans and receivables	Available for sale	Other financial liabilities	Derivative financial instruments	Total carrying value	Total fair value
Assets:							
Cash and cash equivalents	14	Rs. 5,394	Rs.	Rs.	Rs.	Rs. 5,394	Rs. 5,394
Other investments	10	12,848	24,228			37,076	37,076
Trade and other receivables	12	40,755				40,755	40,755
Derivative financial instruments					800	800	800
Other assets[1]	13	1,585				1,585	1,585
Total		**Rs. 60,582**	**Rs. 24,228**	**Rs.**	**Rs. 800**	**Rs. 85,610**	**Rs. 85,610**
Liabilities:							
Trade and other payables	21	Rs.	Rs.	Rs. 10,660	Rs.	Rs. 10,660	Rs. 10,660
Derivative financial instruments					462	462	462
Long-term borrowings	17			21,289		21,289	21,289
Short-term borrowings	17			21,857		21,857	21,857
Other liabilities and provisions[2]	20 & 22			19,440		19,440	19,440
Total		**Rs.**	**Rs.**	**Rs. 73,246**	**Rs. 462**	**Rs. 73,708**	**Rs. 73,708**

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

29. Financial instruments (continued)

The carrying value and fair value of financial instruments by each category as at March 31, 2014 were as follows:

	Note	Loans and receivables	Available for sale	Other financial liabilities	Derivative financial instruments	Total carrying value	Total fair value
Assets:							
Cash and cash equivalents	14	Rs. 8,451	Rs.	Rs.	Rs.	Rs. 8,451	Rs. 8,451
Other investments	10	14,298	10,785			25,083	25,083
Trade and other receivables	12	33,037				33,037	33,037
Derivative financial instruments					554	554	554
Other assets[1]	13	1,853				1,853	1,853
Total		**Rs. 57,639**	**Rs. 10,785**	**Rs.**	**Rs. 554**	**Rs. 68,978**	**Rs. 68,978**
Liabilities:							
Trade and other payables	21	Rs.	Rs.	Rs. 10,503	Rs.	Rs. 10,503	Rs. 10,503
Derivative financial instruments					305	305	305
Long-term borrowings	17			24,213		24,213	24,213
Short-term borrowings	17			20,607		20,607	20,607
Other liabilities and provisions[2]	20 & 22			16,463		16,463	16,463
Total		**Rs.**	**Rs.**	**Rs. 71,786**	**Rs. 305**	**Rs. 72,091**	**Rs. 72,091**

(1) Other assets that are not financial assets (such as receivables from statutory authorities, export benefit receivables, prepaid expenses, advances paid and certain other receivables) amounting to Rs.12,278 and

Rs.11,273 as of March 31, 2015 and March 31, 2014, respectively, are not included.

(2) Other liabilities that are not financial liabilities (such as statutory dues payable, deferred revenue, advances from customers and certain other accruals) amounting to Rs.7,993 and Rs.4,665 as of March 31, 2015 and March 31, 2014, respectively, are not included.

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 March 31, 2015:

Particulars	Level 1	Level 2	Level 3	Total
Available for sale - Financial asset - Investments in units of mutual finds	Rs. 21,641	Rs.	Rs.	Rs. 21,641
Available for sale - Financial asset - Investment in equity securities	2,587			2,587
Derivative financial instruments - gain/(loss) on outstanding foreign exchange forward, option and swap contracts and interest rate swap contracts(1)		338		338

The following table presents the fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as of March 31, 2014:

Particulars	Level 1	Level 2	Level 3	Total
Available for sale - Financial asset - Investments in units of mutual finds	Rs. 10,762	Rs.	Rs.	Rs. 10,762
Available for sale - 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]		249		249

(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 March 31, 2015, 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 recognized at fair value.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

29. Financial instruments (continued)

Derivative financial instruments

The Company is exposed to exchange rate risk that arises from its foreign exchange revenues and expenses, primarily in U.S. dollars, U.K. pounds sterling, Russian roubles, Venezuelan bolivars and Euros, and foreign currency debt in U.S. 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 Rs.800 and Rs.462, respectively, as of March 31, 2015 as compared to derivative financial asset and derivative financial liability of Rs.554 and Rs.305, respectively, as of March 31, 2014 towards these derivative financial instruments.

Further, in respect of these foreign exchange derivative contracts, the Company has recorded, as part of finance costs, a net gain of Rs.2,226, a net loss of Rs.426, and a net gain of Rs.506, for the years ended March 31, 2015, 2014, and 2013, 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 income statement 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 income statement as a finance cost.

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 income statement 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 Rs.99, a net loss of Rs.1,650 and a net gain of Rs.1,697 for the years ended March 31, 2015, 2014 and 2013, respectively.

The Company also recorded a net gain of Rs.300, a net loss of Rs.1,093 and Rs.2,576 as part of revenue during the years ended March 31, 2015, 2014 and 2013, respectively.

The net carrying amount of the Company s hedging reserve as a component of equity before adjusting for tax impact was a loss of Rs.1,805 as at March 31, 2015, as compared to a loss of Rs.1,903 as at March 31, 2014.

Hedges of recognized 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 recognized in the income statement. 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 recognized as part of net finance costs .

Outstanding foreign exchange derivative contracts

The following table gives details in respect of the notional amount of outstanding foreign exchange derivative contracts as of March 31, 2015.

Category	Instrument	Currency	Cross Currency	Amounts	Buy/Sell
Hedges of recognized assets and liabilities	Forward contract	U.S.$	RON	U.S.$ 10.0	Buy
	Forward contract	U.S.$	INR	U.S.$ 146.9	Sell
	Forward contract	U.S.$	RUB	U.S.$ 20.0	Buy
	Forward contract	U.S.$	RUB	U.S.$ 20.0	Sell
	Forward contract	EUR	U.S.$	EUR 35.0	Sell
	Forward contract	EUR	U.S.$	EUR 6.0	Buy
	Option contract	U.S.$	INR	U.S.$ 90.0	Sell
Hedges of highly probable forecasted transactions	Forward contract	U.S.$	INR	U.S.$ 30.0	Sell
	Forward contract	RUB	INR	RUB 300.0	Sell
	Option contract	U.S.$	INR	U.S.$ 250.0	Sell

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

29. Financial instruments (continued)

The following table gives details in respect of the notional amount of outstanding foreign exchange derivative contracts as of March 31, 2014.

Category	Instrument	Currency	Cross Currency	Amounts	Buy/Sell
Hedges of recognized assets and liabilities	Forward contract	U.S.$	INR	U.S.$ 10.0	Buy
	Forward contract	U.S.$	INR	U.S.$ 422.5	Sell
	Forward contract	U.S.$	RON	U.S.$ 13.0	Buy
	Forward contract	EUR	U.S.$	EUR 170.0	Sell
Hedges of highly probable forecasted transactions	Forward contract	U.S.$	INR	U.S.$ 45.0	Sell
	Option contract	U.S.$	INR	U.S.$ 235.0	Sell

The table below summarizes the periods when the cash flows associated with highly probable forecasted transactions that are classified as cash flow hedges are expected to occur:

	As of March 31, 2015	2014
Cash flows in U.S. Dollars		
Not later than one month	Rs. 2,969	Rs. 1,797
Later than one month and not later than three months	5,625	3,595
Later than three months and not later than six months	8,594	5,392
Later than six months and not later than one year	7,188	9,287
Later than one year	3,438	9,886
	Rs. 27,814	**Rs. 29,957**
Cash flows in Roubles		
Not later than one month	Rs. 27	
Later than one month and not later than three months	54	
Later than three months and not later than six months	81	
Later than six months and not later than one year	161	

	Rs. 323

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 recognized as part of finance cost. Accordingly, the Company has recorded, as part of finance cost, a net loss of Rs.10 and net gain of Rs.259 for the years ended March 31, 2015 and 2014, respectively.

As on March 31, 2015, the Company had outstanding interest rate swap arrangements that hedged a portion of interest rate risk arising from floating rate, dollar denominated foreign currency borrowing of U.S.$165.

30. 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 doubtful debts and impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

30. 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 March 31, 2015. Of the total trade and other receivables, Rs.33,226 as at March 31, 2015 and Rs.24,206 as at March 31, 2014 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 and other receivables that are past due but not impaired is given below:

	As of March 31,	
	2015	**2014**
Period (in days)		
1 90	Rs. 6,229	Rs. 7,716
90 180	766	876
More than 180	534	239
Total	**Rs. 7,529**	**Rs. 8,831**

See Note 12 for the activity in the allowance for impairment of trade and other receivables.

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

b. Liquidity risk

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

As of March 31, 2015 and 2014, the Company had unutilized credit limits from banks of Rs.10,438 and Rs.14,596, respectively.

As of March 31, 2015, the Company had working capital of Rs.55,843, including cash and cash equivalents of Rs.5,394, investments in term deposits (i.e., bank certificates of deposit having original maturities of more than 3 months) of Rs.12,848 and investments in available-for-sale financial assets of Rs.24,228. As of March 31, 2014, the Company had working capital of Rs.49,684, including cash and cash equivalents of Rs.8,451, investments in term deposits (i.e., bank certificates of deposit having original maturities of more than 3 months) of Rs.14,298 and investments in available-for-sale financial assets of Rs.10,785.

The table below provides details regarding the contractual maturities of significant financial liabilities (other than long term loans, borrowings and obligations under finance leases, which have been disclosed in Note 17 to these consolidated financial statements) as at March 31, 2015:

Particulars	**2016**	**2017**	**2018**	**2019**	**Thereafter**	**Total**
Trade and other payables	Rs. 10,660	Rs.	Rs.	Rs.	Rs.	Rs. 10,660
Bank overdraft, short-term loans and borrowings	21,857					21,857
Other liabilities and provisions	18,732	30	29	28	621	19,440
Derivative financial instruments - liabilities	462					462

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

30. Financial risk management (continued)

The table below provides details regarding the contractual maturities of significant financial liabilities (other than long term loans, borrowings and obligations under finance leases, which have been disclosed in Note 17 to these consolidated financial statements) as at March 31, 2014:

Particulars	2015	2016	2017	2018	Thereafter	Total
Trade and other payables	Rs. 10,503	Rs.	Rs.	Rs.	Rs.	Rs. 10,503
Bank overdraft, short-term loans and borrowings	20,607					20,607
Other liabilities and provisions	15,755	29	29	28	622	16,463
Derivative financial instruments - liabilities	305					305

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 U.S. dollars, Russian roubles, U.K. pounds sterling, Venezuelan bolivars and Euros) and foreign currency borrowings (in U.S. 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 recognized assets and liabilities.

The details in respect of the outstanding foreign exchange forward and option contracts are given in Note 29 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:

- an approximately Rs.1,308/(631) increase/(decrease) in the Company s hedging reserve and an approximately Rs.1,598/(1,790) increase/(decrease) in the Company s net profit from such contracts, as at March 31, 2015;

- an approximately Rs.1,254/(945) increase/(decrease) in the Company s hedging reserve and an approximately Rs.3,863/(4,011) increase/(decrease) in the Company s net profit from such contracts, as at March 31, 2014; and

- an approximately Rs.2,381/(1,854) increase/(decrease) in the Company s hedging reserve and an approximately Rs.1,481/(1,538) increase/(decrease) in the Company s net profit from such contracts, as at March 31, 2013.

In respect of the Company s foreign currency borrowings designated in a cash flow hedge relationship, a 10% decrease/increase in the respective exchange rates of each of the currencies underlying such borrowings would have resulted in an approximately Rs.1,031, Rs.1,318 and Rs.1,215 increase/decrease in the Company s hedging reserve as at March 31, 2015, 2014 and 2013, respectively.

The following table analyzes foreign currency risk from non-derivative financial instruments as at March 31, 2015:

	U.S. dollars	Euro	Russian roubles	Others [1]	Total
Assets:					
Cash and cash equivalents	Rs. 513	Rs. 410	Rs. 249	Rs. 2,462	Rs. 3,634
Other investments	3,063				3,063
Trade and other receivables	26,214	1,369	4,376	3,780	35,739
Other assets	91	1	62	180	334
Total	**Rs. 29,881**	**Rs. 1,780**	**Rs. 4,687**	**Rs. 6,422**	**Rs. 42,770**
Liabilities:					
Trade and other payables	Rs. 2,397	Rs. 438	Rs. 66	Rs. 642	Rs. 3,543
Long-term borrowings	19,701		140		19,841
Short-term borrowings	14,875	2,116	3,866		20,857
Other liabilities and provisions	7,645	163	1,598	854	10,260
Total	**Rs. 44,618**	**Rs. 2,717**	**Rs. 5,670**	**Rs. 1,496**	**Rs. 54,501**

[1] Others include currencies such as U.K. pounds sterling, Swiss francs and Venezuela bolivars.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

30. Financial risk management (continued)

The following table analyzes foreign currency risk from non-derivative financial instruments as at March 31, 2014:

	U.S. dollars	Euro	Russian roubles	Others [1]	Total
Assets:					
Cash and cash equivalents	Rs. 1,585	Rs. 109	Rs. 345	Rs. 1,284	Rs. 3,323
Other investments	2,756				2,756
Trade and other receivables	18,080	1,558	5,772	2,983	28,393
Other assets	204	1	212	183	600
Total	**Rs. 22,625**	**Rs. 1,668**	**Rs. 6,329**	**Rs. 4,450**	**Rs. 35,072**
Liabilities:					
Trade and other payables	Rs. 1,736	Rs. 492	Rs. 144	Rs. 234	Rs. 2,606
Long-term borrowings	22,185		124		22,309
Short-term borrowings	7,519	4,258	6,179		17,956
Other liabilities and provisions	5,684	252	1,497	904	8,337
Total	**Rs. 37,124**	**Rs. 5,002**	**Rs. 7,944**	**Rs. 1,138**	**Rs. 51,208**

[1] Others include currencies such as U.K. pounds sterling, Swiss francs and Venezuela bolivars.

For the years ended March 31, 2015 and 2014, 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 Rs.1,173 and Rs.1,614, respectively.

Further, the Company is exposed to a potential adverse devaluation risk on its monetary assets of VEF 245 in Venezuela, which are currently recorded at the CENCOEX preferential rate of VEF 6.3 per U.S. dollar. Refer to Note 39 for further details.

Interest rate risk

As of March 31, 2015 and March 31, 2014, the Company had foreign currency loans of Rs.37,419 carrying a floating interest rate of LIBOR plus 7.5-130 bps and Rs.35,221 carrying a floating interest rate of LIBOR plus 20-179 bps and Moscow Prime Offered Rate (Mosprime) plus 60 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 17 of these consolidated financial statements.

For the years ended March 31, 2015, 2014 and 2013, every 10% increase or decrease in the floating interest rate component (i.e., LIBOR or Mosprime) applicable to its loans and borrowings would affect the Company s net profit by approximately Rs.6, Rs.13 and Rs.4, 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 cost of revenues. Commodity price risk exposure is evaluated and managed through operating procedures and sourcing policies. As of March 31, 2015, the Company had not entered into any material derivative contracts to hedge exposure to fluctuations in commodity prices.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

31. Assets acquisition from Ecologic Chemicals Limited

On September 13, 2013, the Company entered into an asset purchase agreement with Ecologic Chemicals Limited, an entity in which two directors of the Company have equity interests. The Company paid Rs.1,264 (U.S.$20), excluding taxes and duties, for the purchase of certain non-current and current assets relating to the manufacture of intermediates and API. The acquisition of these assets will help to augment the Company s manufacturing capacity and assist it in meeting the future business requirements of its PSAI segment.

The acquisition has been accounted for as a purchase of assets. The total purchase consideration has been allocated to the acquired assets as of September 13, 2013 based on a fair valuation carried out by the Company s management as tabulated below:

	Amount
Category	
Land	Rs. 66
Buildings	382
Plant and machinery	702
Inventories	113
Other current assets	1
Grand total	**Rs. 1,264**

Buildings and plant and machinery are depreciated over the remaining useful life of the respective assets.

32. Bonus Debentures

On March 24, 2011, the Company issued to its shareholders in-kind (i.e., for no cash consideration) 9.25% unsecured, non-convertible, redeemable debentures (sometimes referred to as bonus debentures), effected by way of capitalization of its retained earnings. These bonus debentures matured on March 24, 2014 and were redeemed by the Company for cash in an amount equal to their face value of Rs.5 each, along with the third and final interest payment thereon. The aggregate amount of principal payment for all such bonus debentures on March 24, 2014 was Rs.5,078.

33. Collaboration agreement with Curis, Inc.

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

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

As a partial consideration for the collaboration, pursuant to a Stock Purchase Agreement dated January 18, 2015, Curis issued to Aurigene approximately 17.1 million shares of its common stock, representing 19.9% of its outstanding common stock immediately prior to the transaction and approximately 16.6% of its outstanding common stock immediately after the transaction. The shares issued to Aurigene are subject to a lock-up agreement until January 18, 2017, with the shares being released from such lock-up in 25% increments on each of July 18, 2015, January 18, 2016, July 18, 2016 and January 18, 2017, subject to acceleration of release of all the shares in connection with a change of control of Curis. In connection with the issuance of such shares, Curis and Aurigene entered into a Registration Rights Agreement dated January 18, 2015 which provides for certain registration rights with respect to resales of the shares.

The fair value of these equity shares on the date of agreement was Rs.1,452 (U.S.$23.5). The upfront consideration received in the form of equity shares is deferred and recognized as revenue over the period in which Aurigene has continuing performance obligations. Furthermore, these equity shares are classified as available-for-sale financial instruments and are remeasured at fair value at every reporting date. Accordingly, Rs.1,102 (U.S.$17.6), representing the gain arising from changes in the fair value of such equity shares, is recorded in Other comprehensive income for the year ended March 31, 2015.

Aurigene is also entitled to development and commercial milestone payments as follows:

- for the first two programs: up to $52.5 per program, including $42.5 for approval and commercial milestones, plus pre-specified approval milestone payments for additional indications, if any;

- for the third and fourth programs: up to $50 per program, including $42.5 for approval and commercial milestones, plus pre-specified approval milestone payments for additional indications, if any; and

- for any program thereafter: up to $140.5 per program, including $87.5 in approval and commercial milestones, plus pre-specified approval milestone payments for additional indications, if any.

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

This arrangement is accounted for as joint operation under IFRS 11.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

34. Agreement with Merck Serono

On June 6, 2012, the Company and Merck Serono entered into an 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. Pursuant to the arrangement, the Company will lead early product development and complete Phase I development. Upon completion of Phase I, Merck Serono will carry out manufacturing of the compounds and will lead Phase III development. All the related development expenditure will be shared by the parties in the proportion specified in the agreement.

Merck Serono will undertake commercialization globally, outside the United States and with the exception of select emerging markets which will be co-exclusive or where the Company maintains exclusive rights. The Company will receive royalty payments from Merck Serono upon commercialization by them. In the United States, the parties will co-commercialize the products on a profit-sharing basis.

The Company has evaluated its involvement in the arrangement under IFRS 11 and concluded that the arrangement is a joint operation.

35. Agreement with Pierre Fabre

On February 11, 2014, Aurigene Discovery Technologies Limited (Aurigene), a wholly owned subsidiary of the parent company, entered into a collaborative license, development and commercialization agreement with Pierre Fabre, the third largest French pharmaceutical company. This agreement granted Pierre Fabre global worldwide rights (excluding India) to a new immune checkpoint modulator, AUNP-12.

AUNP-12 offers a breakthrough mechanism of action in the programmed cell death 1 (PD-1) pathway compared to other molecules currently in development in the highly promising immune therapy cancer space. AUNP-12 is the only peptide therapeutic in this pathway and could offer more effective and safer combination opportunities with emerging and established treatment regimens. AUNP-12 will be in development for numerous cancer indications.

Under the terms of this agreement, Aurigene received a non-refundable upfront payment from Pierre Fabre. Such non-refundable upfront consideration is deferred and recognized as revenue over the period in which Aurigene has continuing performance obligations. Aurigene may also receive additional royalties and milestone payments based upon the continued development, regulatory progresses and commercialization of AUNP-12.

This arrangement is accounted for as joint operation under IFRS 11.

36. Contingencies

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 possibility 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.

Product and patent related matters

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 has 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.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

36. Contingencies (continued)

Product and patent related matters (continued)

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, which is currently pending.

During the year ended March 31, 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 Rs.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 Rs.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 Rs.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 believes will strengthen its defense against the demand. For example, the Company has added as grounds that trade margins should not be included in the computation of amounts overcharged, and that it is 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, which is currently pending. 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.

Based on its best estimate, the Company has recorded a provision for the potential liability related to the allegedly overcharged amount including interest thereon, and believes that possibility of any liability that may arise on account of penalties pursuant to this litigation is not probable. In the event the Company is unsuccessful in this litigation in the Supreme Court, it will be required to remit the sale proceeds in excess of the notified selling prices to the Government of India with interest and including penalties, if any, which amounts are not readily ascertainable.

Nexium United States litigations

Five federal antitrust class action lawsuits have been brought on behalf of direct purchasers of Nexium, and ten federal class action lawsuits have been brought under both state and federal law on behalf of end-payors of Nexium. These actions have been filed against various generic manufacturers, including the Company and its U.S. subsidiary Dr. Reddy s Laboratories, Inc. These actions have been consolidated in the United States District Court for the District of Massachusetts.

The complaints allege that, beginning in 2005, AstraZeneca sued various generic manufacturers, including the Company, for infringement with respect to patents purporting to cover AstraZeneca s branded drug, Nexium.

Plaintiffs allege that AstraZeneca s settlement agreements with these various generic manufacturers, including the Company, violated federal and state antitrust laws, as well as state unfair competition laws. The complaints seek unspecified damages for class members as a result of an alleged delay in the entry of generic versions of Nexium.

The Company believes that each of these complaints lacks merit and that the Company s conduct complied with all applicable laws and regulations. All of the defendants, including the Company, filed motions to dismiss the complaints, which motions were denied in April 2013. The defendants also filed motions for summary judgment. Arguments regarding these motions were heard on January 21, 2014.

On February 12, 2014, the Court issued an order granting the Company s motion in part, finding that the plaintiffs failed to demonstrate that the Company s settlement of patent litigation with AstraZeneca included a large and unjustified reverse payment. On October 20, 2014, the Company reached a settlement with a majority of the plaintiffs, subject to the Court s approval. Under the terms of the settlement, the Company will not make any payment to the plaintiffs. On January 28, 2015, the Court granted the Company s consent motion for approval of the settlement agreements.

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.

Reclast and Zometa United States litigation

In January 2013, Novartis AG (Novartis) brought patent infringement actions against the Company and a number of other generic companies in the United States District Court for the District of New Jersey. Novartis asserted that the Company s ANDA for Reclast® would infringe Novartis U.S. Patent No. 8,052,987 and that the Company s ANDA for Zometa® would infringe Novartis U.S. Patent No. 8,324,189. In February 2013, Novartis sought a temporary restraining order and a preliminary injunction prohibiting the Company and the other generic defendants from launching their generic Reclast® and Zometa® products. On March 1, 2013, the Court denied Novartis motion for a temporary restraining order.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

36. Contingencies (continued)

Product and patent related matters (continued)

Later in March 2013, the Company launched its generic version of Novartis Zometa® Injection (zoledronic acid, 4 mg/5mL product) and in April 2013, the Company launched its generic version of Novartis Reclast® Injection (zoledronic acid, 5 mg/100mL product). After the Company launched its products, Novartis withdrew its application for a preliminary injunction. The Company believes that the asserted patents are either invalid or not infringed by the Company s products. The Court has construed the patent claims and the case is currently in progress at a fact discovery stage. No provision related to this litigation is made in the Company s consolidated financial statements as of March 31, 2015. If Novartis is ultimately successful in its patent infringement case, the Company could be required to pay damages related to the sale of its generic Reclast® and Zometa® products.

Child resistant packaging matter

In May 2012, the Consumer Product Safety Commission (CPSC) requested that Dr. Reddy s Laboratories Inc., a wholly-owned subsidiary of the Company in the United States, provide certain information with respect to compliance with requirements of special packaging for child resistant blister packs for 6 products sold by the Company in the United States during the period commencing in 2002 through 2011. The Company provided the requested information. The CPSC subsequently alleged in a letter dated April 30, 2014 that the Company has violated the Consumer Product Safety Act (CPSA) and the Poison Prevention Packaging Act (PPPA) and intends to seek civil penalties. Specifically, the CPSC asserted, among other things, that from or about August 14, 2008 through June 1, 2012, the Company sold prescription drugs having unit dose packaging that failed to comply with the CPSC s special child resistant packaging regulations under the PPPA and failed to issue general certificates of conformance. In addition, the CPSC asserted that the Company violated the CPSA by failing to immediately advise the CPSC of the alleged violations. The Company disagrees with the CPSC s allegations and is engaged in discussions with the CPSC regarding its compliance with the regulations.

Simultaneously, the Department of Justice (the DOJ) is also currently investigating a complaint related to these issues under the Federal False Claims Act. A meeting with the DOJ occurred on August 20, 2014 and the Company provided some additional clarifying information to the DOJ subsequent to that meeting.

At this stage of the proceedings, the Company cannot conclude that the likelihood of an unfavorable outcome is either probable or remote. Accordingly, no provision related to this litigation is made in the Company s consolidated financial statements as of March 31, 2015. An unfavorable outcome in these matters could result in significant liabilities, which could have a material adverse effect on the Company.

Ibandronate Sodium United States litigation

In June 2012, the Company launched its ibandronate sodium 150 mg tablet product, a generic version of Boniva® tablets, which are marketed and distributed by Genentech USA, Inc., a member of the Roche Group.

The Company is defending patent infringement actions brought by Hoffmann-La Roche Inc. and Genentech Inc. (collectively, Roche) in the United States District Court for the District of New Jersey with respect to this product. These actions were first commenced in September 2007 and over time expanded to assert infringement of four patents one formulation patent (U.S. patent number 6,294,196) and three method of use patents (numbers 7,192,938, 7,410,957 and 7,718,634). Claims regarding U.S. patent numbers 6,294,196 and 7,192,938 were dismissed in December 2008 and April 2010, respectively.

On May 7, 2012, the Court granted the Company s motion for summary judgment that U.S. patent number 7,718,634 was invalid based on obviousness. In June 2012, the Company launched its ibandronate sodium 150 mg tablet product. On October 1, 2012, the Court granted summary judgment in the Company s favor finding U.S. patent number 7,410,957 invalid.

On November 15, 2012, the Court issued a final judgment in favor of the Company. Roche filed a motion for reconsideration on November 16, 2012 which was denied by the Court on January 25, 2013. Roche has appealed both of the Court s summary judgment decisions. Argument of the appeal was heard on December 6, 2013, and on April 11, 2014, the Court of Appeals affirmed that the U.S. patent numbers 7,718,634 and 7,410,957 are invalid as obvious. A petition for rehearing and rehearing en banc was filed by Roche on May 12, 2014, and the Company filed its response on June 9, 2014. On July 11, 2014, the Court denied the petition for rehearing and rehearing en banc.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

36. Contingencies (continued)

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 Rs.0.0013 per acre for dry land and Rs.0.0017 per acre for wet land. Accordingly, the Company has paid a total compensation of Rs.3. The Company believes that the possibility of additional liability is remote. The Andhra Pradesh High Court disposed of the writ petition on February 12, 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.

Water pollution and air pollution

During the year ended March 31, 2012, the Company, along-with 14 other companies, received a notice from the Andhra Pradesh Pollution Control Board (APP Control Board) to show cause as to why action should not be initiated against them for violations under the Indian Water Pollution Act and the Indian Air Pollution Act. Furthermore, the APP Control Board issued orders to the Company to (i) stop production of all new products at the Company s manufacturing facilities in Hyderabad, India without obtaining a Consent for Establishment , (ii) cease manufacturing products at such facilities in excess of certain quantities specified by the APP Control Board and (iii) furnish a bank guarantee to assure compliance with the APP Control Board s orders.

The Company appealed the APP Control Board orders to the Andhra Pradesh Pollution Appellate Board (the APP Appellate Board). The APP Appellate Board, on the basis of a report of a fact-finding advisory committee, recommended to the Andhra Pradesh Government to allow expansion of units fully equipped with Zero-Liquid Discharge (ZLD) facilities and otherwise found no fault with the Company (on certain conditions). The APP Appellate Board s decision was challenged by one of the petitioners in the National Green Tribunal and the matter is currently pending before it.

Separately, the Andhra Pradesh Government, following recommendations of the APP Appellate Board, published a notification in July 2013 that allowed expansion of production of all types of existing bulk drug and bulk drug intermediate manufacturing units subject to the installation of ZLD facilities and the outcome of cases pending in the National Green Tribunal. Importantly, the notification directed pollution load of industrial units to be assessed at the

point of discharge (if any) as opposed to point of generation.

In September 2013, the Ministry of Environment and Forests, based on the revised Comprehensive Environment Pollution Index, issued a notification that re-imposed a moratorium on expansion of industries in certain areas where some of the Company s manufacturing facilities are located. This notification overrides the Andhra Pradesh Government s notification that conditionally permitted expansion.

Indirect taxes related matters

Assessable value of products supplied by a vendor to the Company

During the year ended March 31, 2003, the Central Excise Authorities of India (the Central Excise Authorities) issued a demand notice to a vendor of the Company regarding the assessable value of products supplied by this vendor to the Company. The Company has been named as a co-defendant in this demand notice. The Central Excise Authorities demanded payment of Rs.176 from the vendor, including penalties of Rs.90. Through the same notice, the Central Excise Authorities issued a penalty claim of Rs.70 against the Company. During the year ended March 31, 2005, the Central Excise Authorities issued an additional notice to this vendor demanding Rs.226 from the vendor, including a penalty of Rs.51. Through the same notice, the Central Excise Authorities issued a penalty claim of Rs.7 against the Company. Furthermore, during the year ended March 31, 2006, the Central Excise Authorities issued an additional notice to this vendor demanding Rs.34. The Company filed appeals against these notices with the Customs, Excise and Service Tax Appellate Tribunal (the CESTAT). In October 2006, the CESTAT passed an order in favor of the Company setting aside all of the above demand notices. In July 2007, the Central Excise Authorities appealed against CESTAT s order in the Supreme Court of India, New Delhi. The matter is pending in the Supreme Court of India, New Delhi.

Distribution of input service tax credits

The Central Excise Authorities have issued various show cause notices to the Company objecting to the Company s methodology of distributing input service tax credits claimed for one of the Company s facilities. The below table shows the details of each of such show cause notices and the consequential actions on and status of the same.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

36. Contingencies (continued)

Indirect taxes related matters (continued)

Period covered under the notice	Amount demanded	Status
March 2008 to September 2009	Rs.102 plus 100% penalties and interest thereon	The Company has filed an appeal before the CESTAT.
October 2009 to March 2011	Rs.125 plus penalties of Rs.100 and interest thereon	The Company has filed an appeal before the CESTAT.
April 2011 to March 2012	Rs.51 plus interest and penalties	The Company has responded to such show cause notice and is currently awaiting a hearing with the Central Excise Commissioner.
April 2012 to March 2013	Rs.54 plus interest and penalties	The Company has responded to such show cause notice and is currently awaiting a hearing with the Central Excise Commissioner.
April 2013 to March 2014	Rs.69 plus interest and penalties	The Company has responded to such show cause notice and is currently awaiting a hearing with the Central Excise Commissioner.

The Company believes that the possibility of any liability that may arise on account of the allegedly inappropriate distribution of input service tax credits is not probable. Accordingly, no provision relating to these claims has been made in the Company s consolidated financial statements as of March 31, 2015.

Value Added Tax (VAT) matter

The Company received various show cause notices from the Government of Telangana s Commercial Taxes Department objecting to the Company s methodology of calculation of VAT input credit. The below table shows the details of each of such show cause notices and the consequential actions on and status of the same.

Period covered under the notice	Amount demanded	Status
April 2006 to March 2009	Rs.66 plus 10% penalty	The Company has filed an appeal before the Sales Tax Appellate Tribunal.
April 2009 to March 2011	Rs.59 plus 10% penalty	The Company has filed an appeal before the Sales Tax Appellate Tribunal.
April 2011 to March 2013	Rs.86 plus 10% penalty	

	The Company has filed an appeal before the Appellate Deputy Commissioner.

The Company believes that the possibility of any liability that may arise on account of the allegedly inappropriate claims to VAT credits is not probable. Accordingly, no provision relating to these claims has been made in the Company s consolidated financial statements as of March 31, 2015.

Others

Additionally, the Company is in receipt of various show cause notices from the Indian Sales Tax authorities. The disputed amount is Rs.43. The Company has responded to such show cause notices and believes that the chances of any liability arising from such notices are less than probable. Accordingly, no provision is made in the Company s consolidated financial statements as of March 31, 2015.

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 April 1, 2008 to March 31, 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.

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

36. Contingencies (continued)

Fuel Surcharge Adjustments (continued)

After taking into account all of the available information and legal provisions, the Company has recorded an amount of Rs.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 April 1, 2008 to March 31, 2013 is Rs.482. As of March 31, 2015, the Company has made payments under protest of Rs.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.

Direct taxes related matters

During the year ended March 31, 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 Rs.570. The Company believes that such business transactions are allowed for tax deduction under Indian Income Tax laws and has accordingly filed an appeal with the Income Tax Appellate Authorities. The Company further believes that the probability of succeeding in this matter is more likely than not and therefore no provision was made in respect of this matter in the Company s consolidated financial statements as of March 31, 2015.

Additionally, the Company is contesting various other disallowances by the Indian Income Tax authorities. The associated tax impact is Rs.611. The Company believes that the chances of an unfavorable outcome in each of such disallowances are less than probable and accordingly, no provision was made in respect of these matters in the Company s consolidated financial statements as of March 31, 2015.

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.

37. Nature of Expense

The following table shows supplemental information related to certain nature of expense items for the years ended March 31, 2015, 2014 and 2013:

	For the Year Ended March 31, 2015			
Particulars	**Cost of revenues**	**Selling, general and administrative expenses**	**Research and development expenses**	**Total**
Employee benefits	Rs. 9,469	Rs. 15,400	Rs. 4,098	Rs. 28,967
Depreciation and amortization	4,154	3,023	923	8,100

	For the Year Ended March 31, 2014			
Particulars	**Cost of revenues**	**Selling, general and administrative expenses**	**Research and development expenses**	**Total**
Employee benefits	Rs. 8,526	Rs. 13,727	Rs. 2,684	Rs. 24,937
Depreciation and amortization	3,771	2,901	434	7,106

	For the Year Ended March 31, 2013			
Particulars	**Cost of revenues**	**Selling, general and administrative expenses**	**Research and development expenses**	**Total**
Employee benefits	Rs. 7,096	Rs. 11,960	Rs. 1,357	Rs. 20,413
Depreciation and amortization	2,983	2,197	369	5,549

Table of Contents

DR. REDDY S LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share and per share data and where otherwise stated)

38. Agreement with Novartis Consumer Health Inc.

On October 18, 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 December 17, 2014. The total purchase consideration was Rs.5,097 (U.S.$80).

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 March 31, 2015 was Rs.4,911.

39. Venezuela operations

Dr. Reddy s Venezuela, C.A., a wholly owned subsidiary of the Company, is primarily engaged in import of pharmaceutical products from parent company and other subsidiaries of the Company and the sale of such products in Venezuela. During the year ended March 31, 2015, the Company s revenues from Venezuela were Rs.8,335 (Venezuelan bolivar (VEF) 813).

In February 2015, the Venezuelan government launched an overhaul of the exchange rate system and introduced a new exchange rate mechanism. The Marginal Currency System (known as SIMADI), is the third mechanism in the new three-tier exchange rate regime and allows for legal trading of the Venezuelan bolivar for foreign currency with fewer restrictions than other mechanisms in Venezuela (CENCOEX and SICAD) .

The new second tier, SICAD, is a combination of the former second and third tiers, SICAD I and SICAD II, with a rate of approximately 12.0 VEF per U.S.$1.00. The first tier, the official exchange rate, is unchanged and sells dollars at 6.30 VEF per U.S.$1.00 for preferential goods.

As on March 31, 2015 the exchange rates in all the three aforesaid tiers are as follows:

CENCOEX preferential rate 6.3 VEF per U.S.$;

SICAD rate - 12 VEF per U.S.$; and

SIMADI rate - approximately 193 VEF per U.S.$.

As per the existing laws in Venezuela, payments towards the importation of pharmaceutical products qualify for the CENCOEX preferential rate of 6.3 VEF per U.S.$1.00, and the Company has been receiving approvals from the CENCOEX at such preferential rate. Accordingly, monetary assets of VEF 245 which equate to the amount of import payments (U.S.$39) that are eligible and pending for approval are translated at such preferential rate.

The balance of the Company s Venezuelan monetary assets and liabilities, in the net amount of VEF 88, may not qualify for the preferential rate of 6.3 VEF per U.S.$1.00. Following the guidance available in IAS 21, the Company assessed the rate at which such balances are likely to be realized or settled and believes that it is appropriate to use the SIMADI rate (VEF 193 per U.S.$1.00) to translate such balances. Consequently, foreign exchange loss amounting to Rs.843 on translation of such monetary assets and liabilities at the SIMADI rate was recorded under finance expenses during the year ended March 31, 2015.

40. Subsequent events

Acquisition of select established brand portfolio of UCB

On April 1, 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 established products business in the territories of India, Nepal, Sri Lanka and Maldives. The purchased business was acquired on a slump sale basis (an Indian tax law concept which refers to the transfer of a business as a going concern without values being assigned to individual assets and liabilities). The transaction includes approximately 350 employees engaged in operations of the acquired India business. The acquisition is expected to strengthen the Company s presence in the areas of dermatology, respiratory and pediatric products. The total purchase consideration was Rs.8,000. The acquisition was closed on June 16, 2015 and the Company is currently in the process of finalizing the purchase price allocation to various assets acquired and liabilities assumed.

Table of Contents

Item 19. EXHIBITS

Exhibit Number	Description of Exhibits	Footnotes
1.1.	Memorandum and Articles of Association of the Registrant dated February 4, 1984.	(1)(3)(5)
1.2.	Certificate of Incorporation of the Registrant dated February 24, 1984.	(1)(3)
1.3.	Amended Certificate of Incorporation of the Registrant dated December 6, 1985.	(1)(3)
1.4.	Amendment to Memorandum and Articles of Association of the Registrant dated June 12, 2009 (regarding an increase in our authorized share capital pursuant to the amalgamation of Perlecan Pharma Private Limited into Dr. Reddy s Laboratories Limited, its parent company).	(6)
1.5.	Amendment to Memorandum and Articles of Association of the Registrant dated July 19, 2010 Order of the Hon bl High Court of Andhra Pradesh, India dated July 19, 2010 (regarding Amendment to Memorandum and Articles of Association of the Registrant and capitalization or utilization of undistributed profit or retained earnings or security premium account or any other reserve or fund in connection with our bonus debentures).	(8)
2.1.	Form of Deposit Agreement, including the form of American Depositary Receipt, among Registrant, Morgan Guaranty Trust Company as Depositary, and holders from time to time of American Depositary Receipts Issued there under, including the form of American Depositary.	(1)
2.2.	Order of the Hon bl High Court of Andhra Pradesh, India dated July 19, 2010 (regarding capitalization or utilization of undistributed profit or retained earnings or security premium account or any other reserve or fund in connection with our bonus debentures).	(8)
2.3.	Scheme of Arrangement between the Registrant and its members for issue of bonus debentures, including Notice of Meeting of Members to approve same dated April 29, 2010 and Explanatory Statement dated April 29, 2010.	(8)
2.4.	Debenture Trust Deed dated March 16, 2011 between the Registrant and IDBI Trusteeship Services Limited (regarding trustee services for our bonus debentures).	(8)
2.5.	Liquidity Facility Services Agreement dated April 2, 2011 between the Registrant and DSP Merrill Lynch Capital Limited (regarding liquidity facility for our bonus debentures).	(8)
4.1.	Agreement by and between Dr. Reddy s Laboratories Limited and Dr. Reddy s Research Foundation regarding the undertaking of research dated February 27, 1997.	(1)
4.2.	Dr. Reddy s Laboratories Limited Employee Stock Option Scheme, 2002.	(2)
4.3.	Sale and Purchase Agreement Regarding the Entire Share Capital of Beta Holding GmbH dated February 15th/16th 2006	(4)
4.4.	Dr. Reddy s Employees ADR Stock Option Scheme, 2007.	(7)
8.	List of subsidiaries of the Registrant.	
23.1	Consent of Independent Registered Public Accounting Firm	

99.1	Certification of Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
99.2	Certification of Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
99.3	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.4	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(1) Previously filed on March 26, 2001 with the SEC along with Form F-1
(2) Previously filed on October 31, 2002 with the SEC along with Form S-8.
(3) Previously filed with the Company s Form 20-F for the fiscal year ended March 31, 2003.
(4) Previously filed with the Company s Form 20-F/A for the fiscal year ended March 31, 2006 pursuant to a request for confidential treatment.
(5) Previously filed with the Company s Form 20-F for the fiscal year ended March 31, 2006.
(6) Previously filed with the Company s Form 20-F for the fiscal year ended March 31, 2010.
(7) Previously filed on March 5, 2007 with the SEC along with Form S-8.
(8) Previously filed with the Company s Form 20-F for the fiscal year ended March 31, 2011.

Table of Contents

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20 F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

DR. REDDY S LABORATORIES LIMITED

By: /s/G.V. Prasad
G.V. Prasad
Co-Chairman and Chief Executive Officer

By: /s/Saumen Chakraborty
Saumen Chakraborty
President and Chief Financial Officer

Hyderabad, India

June 17, 2015