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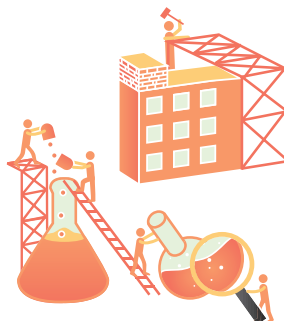
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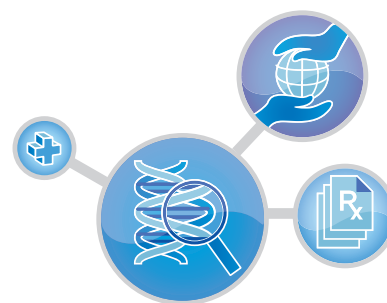
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CHAIRMAN'S LETTER



Dear Shareholders



2009-10 has been a satisfactory year for your Company. Let me start with the financial results.

- Consolidated revenues for 2009-10 was Rs. 70,277 million. Excluding revenues from sumatriptan — your Company's Authorized Generic version of Imitrex® which was launched in 2008-09 — revenue grew by 9%. In US dollar terms, 2009-10 revenue was US\$ 1.56 billion. I am happy to inform you that the Company's revenue has been rising at a CAGR of 23% over the last decade. That is a creditable performance by any standard.
- Your Company's EBITDA of Rs. 15,828 million was the highest among pharmaceutical companies in India.
- Return on Capital Employed (RoCE) in 2009-10 was 17%, as against 14% in 2008-09. You may recollect that in my last year's letter to you, I had asked your Company to generate "Return on Capital Employed in middle to high teens". It has.

There have been several other developments in 2009-10 that I am particularly proud of.

The first is that in the US market, 2009 saw Dr. Reddy's enter the list of the Top 10 generic companies. This is a red-letter event for your Company. It confirms Dr. Reddy's abilities to compete in the US, and strengthens its resolve to becoming a leading generics player in this important geography.

Your Company remains committed to building a strong generics and active ingredients pipeline. In 2009-10, Dr. Reddy's filed 13 drug applications in North America, of which 12 Abbreviated New Drug Applications (ANDAs) were in the US and one in Canada. Among these were six Para-IV filings.

The second development is in the Russian and CIS markets. In Russia, revenues of your Company grew by 25% in 2009-10 — versus an overall market growth of 8% — and thus gross sales for Russia and CIS markets exceeded the US\$ 200 million mark. That is another 'first' for Dr. Reddy's.

Third, the Indian market saw your Company's revenues increase by 20% in 2009-10 to

Rs. 10,158 million — thus crossing the Rs. 1,000 crore landmark. This is also a 'first'.

Fourth, I am proud of what your Company did on 30 September 2009. Following concerns on the size and proportion of a few of its pills in the US — an issue isolated to four products, one specific lot per product, or four lots in total — it voluntarily recalled four categories of tablets. To my mind, this is an act of courage and honesty. In such circumstances, the right thing to do is to take all the necessary corrective measures with utmost speed and fairness. This action of your Company has strengthened its fiduciary position vis-à-vis its US customers and the US Food and Drug Administration (USFDA).

Fifth, Dr. Reddy's had successful audits carried out by the USFDA for two of its formulation plants, one in Hyderabad and the other in Vishakapatnam. The USFDA follows extremely stringent audit procedures, and the success demonstrates your Company's commitment to producing medicines according to the highest international standards. The formulation plant at Vishakapatnam was also audited and certified by Brazil's National Health Surveillance Agency (or the Agência Nacional de Vigilância Sanitária, ANVISA). In addition, the chemical plants were audited and certified by the United Kingdom's Medicines and Health products Regulatory Agency (MHRA).

Sixth, I am happy to inform you that Dr. Reddy's has entered into a strategic partnership with GlaxoSmithKline plc (GSK) to develop and market select products across emerging markets outside India. This partnership will expand the Company's reach in emerging economies. The products will be manufactured by Dr. Reddy's; and will be licensed and supplied to GSK in markets such as Latin America, Africa, the Middle East, and Asia Pacific excluding India. Already, there has been more than 50 dossier filings in various markets under this alliance.

Seventh, let me talk about discovery research. I am satisfied with the results of the first set of Phase III clinical trials of Balaglitazone (DRF 2593). These have shown significant reduction in HbA1c

The global pharmaceutical business is becoming more complicated than ever before. Older business models are being challenged by competition; and new verticals are coming into play.

(glycosylated haemoglobin) and improved safety profile. I hope that your Company will continue getting successful Phase III results, and will be able to monetize this new molecule in the future.

Your Company remains committed to building a strong generics and active ingredients pipeline. In 2009-10, Dr. Reddy's filed 13 drug applications in North America, of which 12 Abbreviated New Drug Applications (ANDAs) were in the US and one in Canada. Among these were six Para-IV filings. The US generic pipeline now comprises 73 ANDAs pending with the USFDA, including 11 tentative approvals. Of these, 38 are Para-IV filings, with 12 in the category of 'first to file'. As of 31 March 2010, the Company has filed 179 cumulative drug applications in both US and Canada.

In the Active Ingredients business, too, the Company filed 36 Drug Master Files (DMFs) in 2009-10 — 19 in the US, five in Canada, eight in Europe and four in other countries. As on 31 March 2010, Dr. Reddy's had cumulative filings of 378 DMFs, with 156 in the US.

We have taken all the necessary impairments on account of our German subsidiary, betapharm. As I wrote last year, the German generics market has become commoditized, driven by tenders and auctions. In such a scenario, accounting standards dictated taking another non-cash impairment. Your Company has done so in 2009-10 by recording a write-down of intangible assets of Rs. 3,323 million, and goodwill of Rs. 5,147 million. The balance sheet has been effectively cleansed of intangible and goodwill on account of betapharm. With the cost and organizational rationalizations that are being carried out in Germany, and with much greater supply chain support from India, I expect betapharm to do better in the future.

Finally, a peep into tomorrow. The global pharmaceutical business is becoming more complicated than ever before. Older business models are being challenged by competition; and new verticals are coming into play. There will be new developments and alliances, as well as new opportunities and challenges. In such an

environment only the rapid, clever and nimble will win. The changes that are being carried out across your Company are all geared to create the 'winning infrastructure'.

For the next year, I am asking your Company to earn a return on capital employed between 18% to 22%, in line with the goal of reaching 25% by 2012-13.

I am confident that your Company will continue winning. And be the most respected global pharmaceutical company in India committed to providing affordable and innovative medicines.

Thank you for your support.

With warm regards,



Dr. K Anji Reddy
Chairman



FINANCIAL HIGHLIGHTS (BASED ON IFRS FINANCIALS)**Consolidated Revenues**

Excluding revenues from sumatriptan – Dr. Reddy's Authorized Generic version of Imitrex® which was launched in 2008-09, the Company's overall revenue grew by 9%. It should be noted that the Company's revenue has been rising at a CAGR of 23% over the last 10 years.

EBITDA

Adjusted EBITDA of Rs. 15,828 million is highest among pharmaceutical companies in India.

Profit After Tax

Net profit of Rs. 1,068 million in 2009-10 as against a net loss of Rs. 5,168 million in 2008-09.

Excluding impact of impairment from the current year as well as from the previous year, adjusted net income increased by 10% to Rs. 9,217 million in 2009-10 from Rs. 8,355 million in 2008-09.

Return on Capital Employed (RoCE)

RoCE at 17% for 2009-10 as against 14% in 2008-09.

This increase is attributable to:

- Core business growth of India, Russia and North America
- Rationalization of business model and
- Cost optimization and restructuring initiatives.

Fully diluted Earnings Per Share

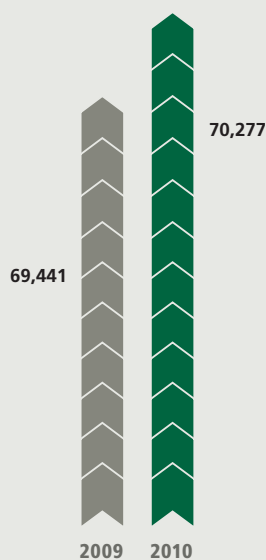
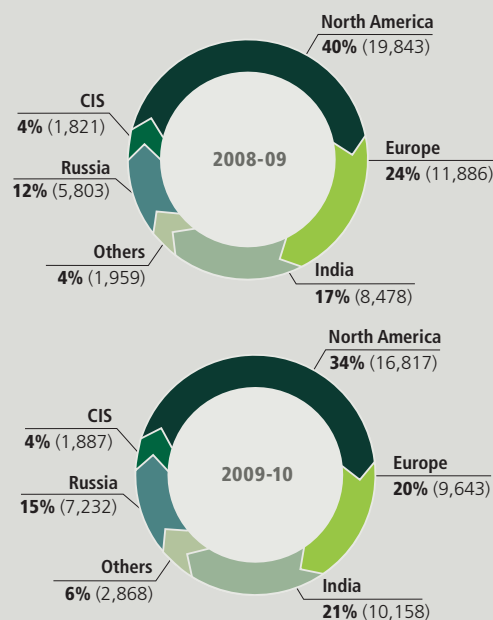
Fully diluted earnings per share was at Rs. 6.30 in 2009-10 as against Rs. (30.69) in 2008-09.



HIGHLIGHTS

2009

2010

CONSOLIDATED REVENUE
IN RS. MILLION**GLOBAL GENERICS REVENUES**
GEOGRAPHICAL MIX, IN RS. MILLION**REVENUES FROM DIFFERENT BUSINESSES****Global Generics**

- Revenues were at Rs. 48,606 million in 2009-10 versus Rs. 49,790 million in 2008-09. Excluding revenues from sumatriptan, Dr. Reddy's Authorized Generic version of Imitrex® which was launched in 2008-09, Global Generics revenues grew by 8%.
- In 2008-09, the company was able to launch sumatriptan, the Authorized Generic version of Imitrex®, ahead of others. The launch of sumatriptan in the US contributed Rs. 7,188

million in 2008-09 and Rs. 2,543 million in 2009-10.

- Excluding sumatriptan, revenues from North America grew by 13% to Rs. 14,274 million in 2009-10 from Rs. 12,655 million in 2008-09, growth being largely driven by the new product launches and OTC products.
- Revenues in India grew by 20% to Rs. 10,158 million in 2009-10 from 8,478 million in 2008-09.

- Revenues from Russia and CIS countries grew by 20% to Rs. 9,119 million in 2009-10 from Rs. 7,623 million in 2008-09.
- Revenues from Europe dropped by 19% to Rs. 9,643 million in 2009-10 from Rs. 11,886 million in 2008-09. betapharm revenues dropped by 26% to Rs. 7,298 million in 2009-10 from Rs. 9,854 million in 2008-09.

ANDAs, DMFs, PRODUCT REGISTRATION AND NCEs

ANDAs in North America

In 2009-10, the Company filed 12 Abbreviated New Drug Applications (ANDAs) in US including six Para IV filings. The Company has filed 158 cumulative ANDAs up to date. As on 31 March 2010, there were 73 ANDAs pending approval at the USFDA, of which 38 are Para-IV filings, with 12 in the category of 'first to file'.

DMFs

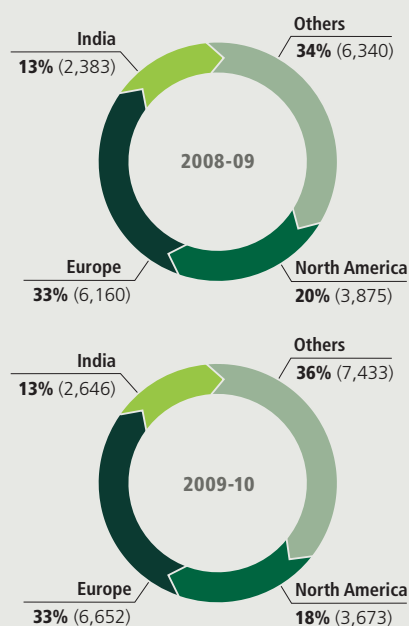
Regarding Active Ingredients business, the Company filed 36 DMFs in 2009-10. Of these, 19 were filed in US, five in Canada, eight in Europe and four in other countries. As on 31 March 2010, the Company had cumulative filings of 378 filings, with 156 in the US.

New Chemical Entities (NCEs)

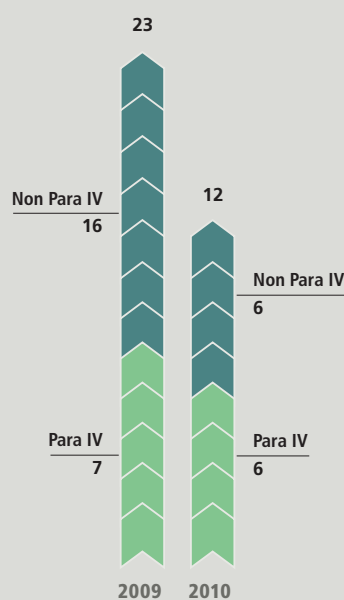
As on 31 March 2010, Dr. Reddy's had six New Chemical Entities (NCEs), of which five are in clinical development and one in the pre-clinical stage.

PSAI REVENUES

GEOGRAPHICAL MIX, IN RS. MILLION

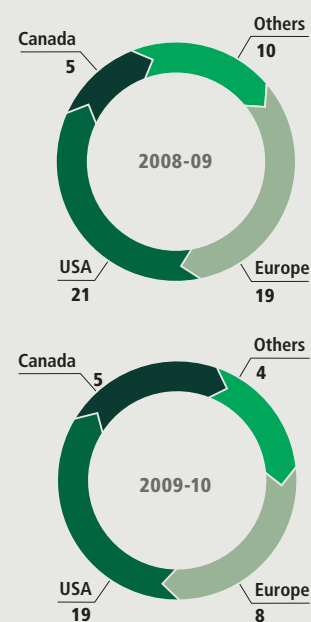


ANDAs IN NORTH AMERICA



DMFs

GEOGRAPHICAL MIX



Pharmaceutical Services and Active Ingredients (PSAI)

- Revenues grew by 9% to Rs. 20,404 million in 2009-10 from Rs. 18,758 million in 2008-09. International revenues accounted for 87% of PSAI revenues.
- 2009-10 saw the company posting significant increase primarily from Europe by 8% and "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) by 17%.

RECOGNITIONS

The year saw Dr. Reddy's win numerous awards. Some of the key ones were: "Corporate Social Responsibility Award" at the CNBC TV18's India Business Leader Awards (IBLA); "Golden Peacock Award for Excellence in Corporate Governance" and "NASSCOM CNBC IT User Award" 2009 in the Pharmaceutical vertical for the 2nd year in a row.

For its HR initiatives, Dr. Reddy's won the: Recruiting And Staffing Best In Class (RASBIC) award 2009-10 for the 'Best Overall

Recruiting and Staffing Organization' and 'Best Recruiting Evaluation Techniques'; 'Organization with Innovative HR Practices' and 'Outstanding Contribution to the Cause of Education' awards at the World HRD Congress and was adjudicated the best in the 'Great Places to Work Survey' in the pharmaceutical and biotechnology industry.

The Company's Annual Report was conferred the 'Merit Award' for the year 2008 in the category 'Manufacturing Sector' by the South Asian Federation of Accountants.



THE DNA OF SUSTAINABILITY

At Dr. Reddy's, Sustainability is a way of life and is embedded in our purpose.

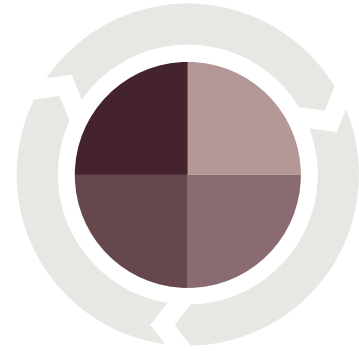
It is a broad concept which encompasses how we value our employees, social impact of our products, patient centric programs, proactive safety, health and environment (SHE) management, implementation of community development projects and voluntary engagement with the society to address larger social concerns like livelihood and education.

Our awareness of sustainability originates from the social benefits of our business. We have come to understand the interdependence (as against independence) of our stakeholders and this has encouraged our simultaneous pursuit of a people, purpose and planet approach. For our organization to be truly sustainable, we have to be distinctive in a few areas, while being good at most activities that we do. We believe that our strategy of "Leveraging industry-leading science & technology, product offering, and customer service with execution excellence to provide affordable and innovative medicines for healthier lives" will help us focus on the right areas.

In practicing sustainability, our initial efforts were focused on environment management and safety & health at the workplace. As our organization evolved, so has been our sustainability thinking. Today, while considering issues that are of significance to our stakeholders as well as to the organization, we have arrived at a robust sustainability framework with six key focus areas— Providing affordable and innovative medicines, being an employer of choice, environmental management and climate change, caring for communities, sustainable sourcing and product responsibility.



KEY AREAS OF FOCUS



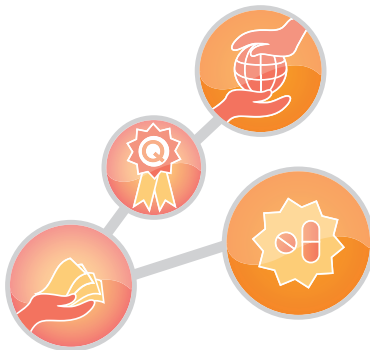
SOCIETY
COMMUNITY
ENVIRONMENT
PUBLIC

CUSTOMERS & PARTNERS
USERS Patients
CHANNELS Retailers, Wholesalers, Distributors, Hospitals, Government
INFLUENCERS Physicians, Insurers
OTHERS Partners, Vendors, Suppliers, Regulators

EMPLOYEES
FAMILY
ALUMNI

INVESTORS & SHAREHOLDERS

To us at Dr. Reddy's, a sustainable organization is one that simultaneously pursues economic, social and environmental benefits, thereby increasing value for all its stakeholders and assuring a robust future.



PROVIDING AFFORDABLE AND INNOVATIVE MEDICINES

At Dr. Reddy's, a company with a significant global footprint, we have a serious responsibility – to help reduce the burden of disease on individuals and on the world. We achieve this by leveraging our proficiency in science and technology to innovate at every stage of our processes. Our Pharmaceutical Services and Active Ingredients (PSAI) and Global Generics businesses focus on affordability by providing lower cost, high quality alternatives while our Proprietary Products business addresses unmet and poorly met medical needs.

» **Reaching out to the rural markets in India** Dr. Reddy's forayed into the rural markets in FY09 with launch of an exclusive portfolio of products targeted at the needs of people in rural India.

» **Dose Counter Inhalers – a novel device** It is the first Metered Dose Inhaler in India that gives patients an advance indication of when the inhaler is going to be empty.

» **Through Sparsh**, the entire range of Dr. Reddy's oncology products are routed to needy patients through patron-oncologists



across India, enabling them to complete planned cancer care and treatment.



Satyajit Ghosh (7 yrs.) from Bhubaneswar, Orissa, India was diagnosed with blood cancer six months ago. His treatment requires him to spend two to three weeks at the SCB Medical

College in Cuttack, India every month. His care and treatment costs are beyond the reach of his father, a daily wage laborer. He was given assistance under the Sparsh program to meet his treatment needs. Dr. Reddy's arranged for free medication as well as reimbursement of other treatment related expenses. He has now successfully completed 4 cycles of chemotherapy and is looking forward to getting his normal childhood back.