



# CONTENTS

<b>CHAIRMAN'S LETTER</b> 2	<b>MANAGEMENT DISCUSSION AND ANALYSIS</b> 38	<b>SECRETARIAL AUDIT REPORT</b> 86
<b>FINANCIAL TRENDS &amp; HIGHLIGHTS</b> 4	<b>BOARD OF DIRECTORS</b> 51	<b>DIRECTORS' REPORT</b> 88
<b>KEY MILESTONES</b> 6	<b>MANAGEMENT COUNCIL</b> 54	<b>IGAAP STANDALONE FINANCIAL STATEMENTS</b> 99
<b>OUR PURPOSE</b> 8	<b>CORPORATE GOVERNANCE</b> 56	<b>IGAAP CONSOLIDATED FINANCIAL STATEMENTS</b> 155
<b>HUMAN RESOURCES</b> 22	<b>ADDITIONAL SHAREHOLDERS' INFORMATION</b> 73	<b>EXTRACT OF AUDITED IFRS CONSOLIDATED FINANCIAL STATEMENTS</b> 213
<b>SAFETY, HEALTH AND ENVIRONMENT</b> 28	<b>THE COMPANY AND THE CAPITAL MARKET</b> 83	<b>STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956</b> 216
<b>CORPORATE SOCIAL RESPONSIBILITY</b> 31	<b>FIVE YEARS AT A GLANCE</b> 84	<b>INFORMATION ON THE FINANCIALS OF SUBSIDIARY COMPANIES</b> 217
	<b>RATIO ANALYSIS &amp; ECONOMIC VALUE ADDED</b> 85	<b>NOTICE OF ANNUAL GENERAL MEETING</b> 218

# CHAIRMAN'S LETTER

## DEAR SHAREHOLDERS

FY2012 has been a good year for your Company. The key financial results were:

- ◆ Consolidated revenues increased by 30% to Rs. 96.7 billion in FY2012.
- ◆ Earnings before interest, taxes, depreciation and amortization (EBITDA)<sup>1</sup> rose by 55% to Rs. 25.4 billion.
- ◆ Profit after Tax (PAT)<sup>2</sup> grew by 45% to Rs. 15.3 billion.
- ◆ Diluted Earnings per Share (EPS) increased from Rs. 64.9 in FY2011 to Rs. 83.8 in FY2012.

I am particularly delighted by four developments.

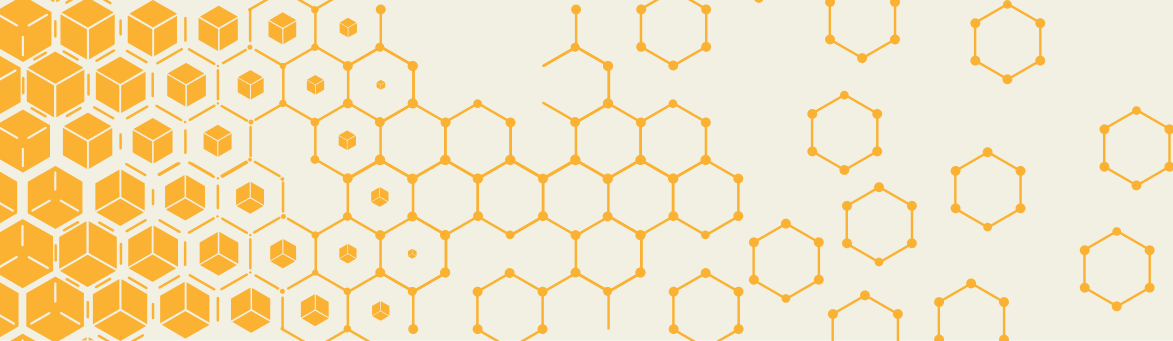
First, your Company succeeded in yet another blockbuster generic launch in the USA under 180-days marketing exclusivity. Dr. Reddy's launched olanzapine 20 mg tablets, the generic version of the brand Zyprexa®. Olanzapine is used to treat schizophrenia and bipolar disorder. This product has added around USD 100 million to your Company's revenues for FY2012.

Second, the biosimilars business continues along its impressive growth path. In my letter to you last year, I had discussed the critical importance of developing biosimilars in the years to come. I am happy to note that your Company's global biosimilars business grew by 45% over last year and recorded sales of USD 26 million. Today, the biosimilars portfolio of Dr. Reddy's constitutes (i) filgrastim, (ii) peg-filgrastim, (iii) rituximab and (iv) darbepoetin alfa, which have commercial presence in 13 countries among emerging markets. These are helping to treat patients suffering from cancer — and at prices that are significantly more affordable than the corresponding innovator drugs. Soon, I expect to see Dr. Reddy's biosimilars entering developed markets.

Third, as a scientist-entrepreneur, I am pleased with the steady growth in your Company's

<sup>1</sup> EBITDA and PAT are adjusted for any one time non-recurring items.





investments in R&D — which grew by 17% to clock USD 125 million in FY2012, or 6% of sales. Two-thirds were spent towards generics development which continues to be an area of high potential and sound returns; the balance was dedicated to biologics and innovator research. I hope that the target of 7% of sales will continue to be maintained in the years to come.

Fourth, I must share with you the news of our entry into Japan. As you might know, Japan is the second largest pharmaceutical market in the world, with an estimated size of USD 97 billion. It also has low generics penetration: 23% of Japanese prescription drug sales by volume are generics, versus 70% in the USA. Through a joint venture, your Company is working with Fujifilm to develop, manufacture and promote generics, with a plan to launch the first products in the next three to four years.

Allow me to go down Memory Lane.

I go back 28 years ago, when your Company was established with an initial capital outlay of Rs. 2.5 million, and our joys were unbound when we made our first profits manufacturing ibuprofen for the domestic market.

Fast forward to 11 years ago: April 2001, when Dr. Reddy's got listed on the New York Stock Exchange. That year, i.e. FY2002, your Company's revenues shot up to Rs. 15,578 million — driven by sales of fluoxetine 40 mg, which was its first successful 180-days exclusivity in the US generics market.

We had several other successful generics launches in the US. I remember FY2007 when, in a single year, we launched four exclusive 180-days products: simvastatin, finasteride, ondansetron and fexofenadine. In the process, consolidated revenues of your Company shot up to USD 1.5 billion.

And in FY2012, Dr. Reddy's became the fastest Indian pharmaceutical company to surpass USD 2 billion in sales — doing so in less than four years of crossing the USD 1 billion mark.

The financial people in your Company recently did some work on shareholder value. It went thus. If an Indian investor purchased 100 shares during the Company's IPO in August 1986, plus the 50% rights issue in August 1989, and held on to these till date, s(he) would be owning 5,400 shares of Dr. Reddy's, whose market value on 31 March 2012 would have been Rs. 9.48 million. The shareholder would have also earned a total of Rs. 0.56 million as dividends. The numbers are similarly attractive for a long term US ADR holder.

These are attractive returns on investment, both as capital gains and as dividends.

Given the way your Company is heading, with regular first-to-file exclusivities coupled with a predictably healthy annual growth in base revenues and incomes, I am sure that Dr. Reddy's will continue delivering superior value to its investors.

Most importantly, your Company will continue to deliver superior value to millions of patients across the globe — by providing affordable and innovative medicines for healthier lives.

May the Company's progress continue. For medicine. And better lives.

Thank you for your constant kindness and support.

With my very best,

**DR. K. ANJI REDDY**  
Chairman

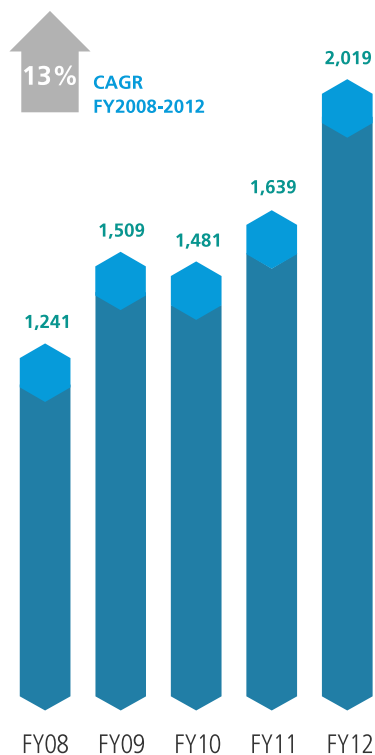


Given the way your Company is heading, with regular first-to-file exclusivities coupled with a predictably healthy annual growth in base revenues and incomes, I am sure that Dr. Reddy's will continue delivering superior value to its investors.

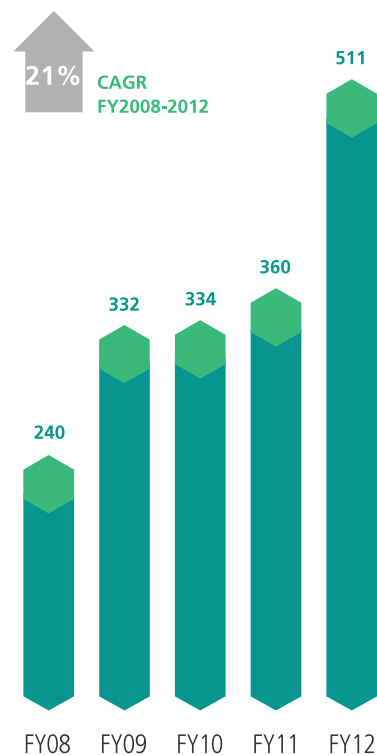
# FINANCIAL TRENDS & HIGHLIGHTS 2011-12

## Key Financial Trends

### REVENUE (IN DOLLAR MILLION)

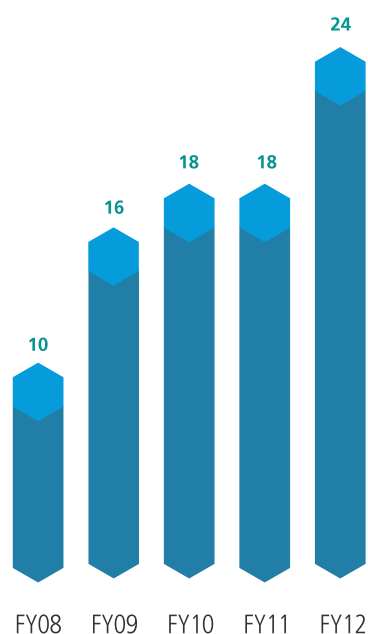


### EBIDTA (IN DOLLAR MILLION)



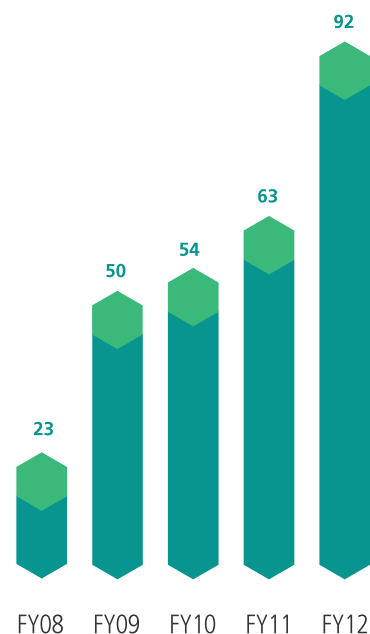
### ROCE (IN PERCENT)

ROCE ADJUSTED FOR NON CASH  
IMPAIRMENT CHARGES & OTHER NON  
RECURRING COSTS



### EARNINGS PER SHARE (IN RS.)

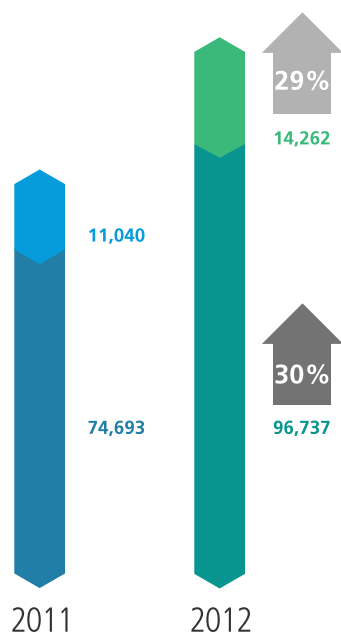
PAT ADJUSTED FOR AND NON CASH  
IMPAIRMENT CHARGE & OTHER NON  
RECURRING COSTS



# Key Financial Highlights

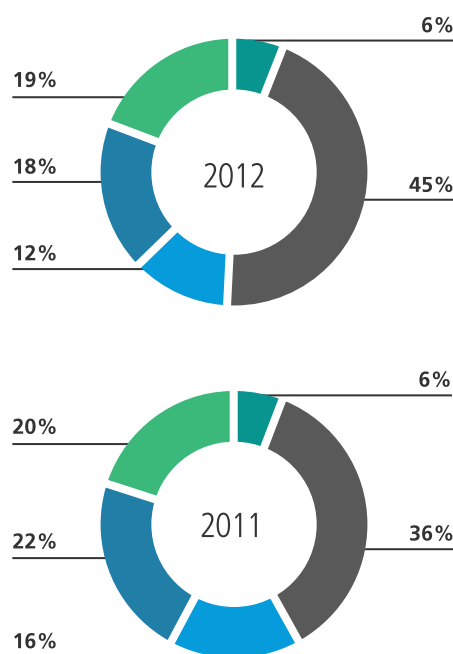
## CONSOLIDATED REVENUE & PROFIT AFTER TAX (IN RS. MILLIONS)

- CONSOLIDATED REVENUE
- PAT



## REVENUE DISTRIBUTION GEOGRAPHICAL MIX (IN RS. MILLIONS)

- INDIA
- EUROPE
- NORTH AMERICA
- ROW
- RUSSIA & CIS



### Dr. Reddy's crosses \$2 billion\* in revenues

The fastest Indian company to achieve this feat.

### Growing footprint in the OTC segment with global revenues crossing \$200 million in FY2012

More than 10% of Company Revenues.

### Consolidated Revenues

Consolidated revenues increased by 30% to Rs. 96,737 millions that is \$2.02 billion in FY2012 from Rs. 74,693 millions in FY2011.

### EBITDA

EBITDA increased by 51% to Rs. 25,409 millions in FY2012 from Rs. 16,789 millions in FY2011.

### Profit after Tax

Net profit of Rs. 14,262 millions in FY2012 from Rs. 11,040 millions in FY2011, a growth of 29%.

### Fully diluted Earnings per Share

Fully diluted earnings per share increased to Rs. 83.8 in FY2012 from Rs. 65 in FY2011, a growth of 29%.

### ANDAs in US

Dr. Reddy's filed 17 ANDAs in FY2012. As of 31 March 2012, the company has 194 ANDAs

(Including partnered ANDAs). As of 31 March 2012, the company's ANDA pipeline has 80 ANDAs pending with the US FDA, of which 41 are para-IV filings with seven having first to file status.

### DMFs

The company filed 68 DMFs in FY2012. Of these 14 each were filed in US, Europe and 40 in other countries. As on 31 March 2012, the company had cumulative filings of 543 DMFs.

### Business Performance

#### Global Generics

Global Generics grew by 32% to Rs. 70,243 millions in FY2012 from Rs. 53,340 millions in FY2011.

- Revenue from North America grew by 68% to Rs. 31,889 millions in FY2012 from Rs. 18,996 millions in FY2011. Significant portion of this growth came from our first to file launch of olanzapine 20 mg and other important new product launches.

- Revenue from Russia and other CIS countries grew by 22% to Rs. 13,260 millions in FY2012 from Rs. 10,858 millions in FY2011.
- India showed a revenue growth of 11% to Rs. 12,931 millions in FY2012 from Rs. 11,690 millions in FY2011.
- Revenue from Europe decreased marginally by 2% to Rs. 8,259 millions in FY2012 from Rs. 8,431 millions in FY2011.

### Pharmaceutical Services & Active Ingredients

Revenues grew by 21% to Rs. 23,812 millions in FY2012 from Rs. 19,648 millions in FY2011. This growth was largely driven by new product launches to generic customers and improved customer orders.

\*At average billing rate of Rs. 47.91 per one US\$.



## KEY MILESTONES

### Growing Globally (2012-2000)

#### 2012

- Crosses USD 2 billion in revenues and is the fastest in Indian pharma to reach this milestone

#### 2011

- GlaxoSmithKline and Dr. Reddy's agrees to the sale of US penicillin facility and products
- FUJIFILM and Dr. Reddy's establishes an exclusive joint venture for developing, manufacturing and promoting generic drugs in Japan
- Expands its R&D centre in Cambridge, United Kingdom
- Approval and launch of fondaparinux
- Approval and launch of olanzapine 20 mg tablets
- The first Indian company to celebrate its 10-year anniversary at the NYSE on 15 April 2011

#### 2010

- Launches darbepoetin alfa in India under the brand name 'Cresp®' - world's first generic darbepoetin alfa and the only one in India

#### 2009

- Enters into a strategic alliance with GSK for emerging markets

#### 2008

- Acquires BASF's formulation manufacturing unit at Shreveport, Louisiana, USA
- Acquires DowPharma's small molecules business at Mirfield and Cambridge, UK
- Announces launch of US specialty business, Promius™ Pharma

#### 2007

- Launches Reditux™ (rituximab) the world's first monoclonal antibody biosimilar
- Balaglitazone (DRF 2593) enters Phase III of clinical trials becoming India's most advanced NCE

#### 2006

- Acquires betapharm in Germany
- Becomes an AG partner for Merck's Proscar® and Zocor® in the US
- Obtains 180-day marketing exclusivity for ondenesetron hydrochloride tablets

#### 2005

- Acquires Roche's API business in Mexico

#### 2001

- Becomes the first pharma company in Asia Pacific, outside of Japan, to list on NYSE
- Obtains first ever 180-day marketing exclusivity for a generic drug (fluoxetine 40 mg capsules) in the US
- Launches its first generic product (ranitidine) the US

#### 2000

- Cheminor Drugs (a group company) merges with Dr. Reddy's

### Expanding and Innovating (1999-1991)

#### 1999

- Acquires American Remedies in India

#### 1998

- Licenses anti-diabetic molecule DRF 2725 (Ragaglitazar) to Novo Nordisk

#### 1997

- Becomes first Indian company to out-license an original molecule DRF 2593 (Balaglitazone) to Novo Nordisk
- Files first ANDA with US FDA for ranitidine

#### 1995

- Dr. Reddy's Research Foundation files first patent in the US

#### 1993

- Establishes Dr. Reddy's Research Foundation. Drug Discovery program starts

#### 1991

- Formulation exports to Russia commences

### Taking the First Steps (1990-1984)

#### 1990

- Becomes first Indian pharma company to export norfloxacin and ciprofloxacin to Europe and Far East

#### 1987

- Obtains its first US FDA approval for ibuprofen API
- Starts its formulations operations

#### 1986

- Goes public with listing in Bombay Stock Exchange
- Enters international markets with exports of methyldopa

#### 1984

- Established by Dr. K Anji Reddy with an initial capital outlay of Rs. 25 lakhs



**It is not just about numbers.**

**It is about People.**

**GV PRASAD**

Vice Chairman & Chief Executive Officer

**AN ORGANIZATION** is nothing but a community of people who come together to create value for their stakeholders – in our case, it is patients, doctors, customers, business partners, investors and the community at large. Our people, from diverse backgrounds, cultures and thinking have come together for a common purpose – to provide affordable and innovative medicines for healthier lives. We truly believe we can make a difference by making affordable medicines that are within the reach of everyone and help to lessen the burden of disease in the world. Every single day, when we come to work,

we reinforce our commitment not just to the organization, but also to making the world a better place for everyone. This creates the magic of an engaging and nurturing workplace. We are proud to spend a large portion of our time to identify ways in which we can help lower healthcare costs, improve access to medicine, and develop innovative medicines for unmet medical needs. We never lose sight of the fact that what we make directly impacts the health and quality of human life. Yes, at the end of the day, it is about People.








**Our purpose is to provide  
affordable and innovative  
medicines for healthier lives.**

We focus on making generic products that cost a fraction of the innovators' drugs so that more people have access to affordable medicines. We innovate and develop complex products so that we can meet the unmet medical needs of more patients.

Just as we are committed to work the supply chain so that our medicines reach wherever they are required in time, we are also dedicated to help rural patients gain access to quality diagnosis and treatment through our outreach programs.





Our innovations are for the patient's convenience. The lifelong relationships we create help us work with our customers, and business partners to grow our profits. All the assistance that we provide to our doctors so that they can keep up with the latest scientific developments is to enable them to serve patients better.

Through our combined expertise, shared knowledge and deep understanding of the pharmaceutical business, we strive to make a difference to our patients, doctors, customers, business partners, investors and the community at large.

Thousands of us across geographies work relentlessly every day to fulfil the purpose. Our people are a team — a single force that collaborates seamlessly to alleviate the burden of disease on the world and helps our patients to extend and improve the quality of their lives.

**We are  
Dr. Reddy's.**