



FOR HEALTH. FOR LIFE.

Connecting science, technology and innovation



Annual Report 2020-21

**Good Health
Can't Wait.**

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FOR HEALTH. FOR LIFE.

Connecting science, technology and innovation

In the last year and a half, the focus of the world has been on our collective health. The current pandemic has reminded us of the paramount importance of our physical and mental well-being. At the same time, it has prompted us to reflect on how our actions as individuals have a bearing on us as a community and the entire planet.

This year's annual report is a reflection of our effort to bring science, technology and innovation together to find solutions to challenges posed by the pandemic, and to do our best for all our stakeholders as a responsible member of the pharmaceutical industry.

‘For Health. For Life’ - because **Good Health Can't Wait.**



OUR GUIDING PHILOSOPHY

OUR PURPOSE

We accelerate access to affordable and innovative medicines because

Good Health Can't Wait.

OUR PROMISES

Bringing

expensive medicines within reach

Addressing

unmet patient needs

Helping

patients manage disease better

Working

with partners to help them succeed

Enabling

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

OUR PRINCIPLES

Empathy

We understand the needs of our patients and partners better than others.

Dynamism

We solve challenges that only a few can, and do this with agility.



OUR LEADERSHIP BEHAVIOURS

We **aspire** because **Good Health Can't Wait.**



Aspirational Growth Mindset

We target industry-leading growth through innovation, cost leadership and taking risks



Speed & Rigour In Execution

We act with agility; we are disciplined and rigorous in execution



People Leadership

We inspire people to reach their full potential through work and continuous learning



Innovation

We drive patient and customer-focused innovation in all areas using cutting-edge science, technology & tools



Results Driven

We take responsibility for outcomes and own end results for our patients



Excellence Focus

We excel by combining deep professional expertise and disciplined execution

LETTER FROM THE CHAIRMAN AND CO-CHAIRMAN



K SATISH REDDY
Chairman



G V PRASAD
Co-Chairman and Managing Director

Dear Member,

There has never been a year such as this. We pray that there never will be any more in our lifetime as well as of our children and grandchildren.

As on May 14, 2021, the virus has infected over 160 million and has claimed the lives of 3.4 million people worldwide. India, the second worst infected country in the world, has witnessed over 25 million cases and more than 270,000 deaths.

Your company's core dictum is 'Good Health Can't Wait'.

Never before in the history of Dr. Reddy's has this maxim been more important than now. In the context of this horrific pandemic, let us briefly share with you what your company has done to address the situation.

With the pandemic flaring for the first time in April 2020, the primary objective was to ensure health and safety of our employees and their families while continuing to supply medicines across the world. Some of the interventions that we quickly put in place were:

- A well-being and support plan that comprised tele-consulting, helplines, 24x7 access to clinical psychologists

through an online platform and a home isolation program.

- Dedicated separate COVID-19 care facilities were launched for employees and dependents in three locations to provide pre-hospitalization care.
- For employees working on-site, stringent social distancing and safety measures were deployed in work locations, transport facilities and cafeterias. Other measures included multiple stages of disinfection, provision of personal protective equipment, automating actions that require manual contact. Moreover, we provided a daily hardship allowance.
- We contracted for additional insurance coverage for COVID-19 which covered hospitalization and home quarantine expenses. This was extended to our employees and their dependents in India. Employees were also provided additional COVID-19 leave.

At the same time, Dr. Reddy's acted quickly to bring various preventive and curative medicines to deal with COVID-19, including a vaccine. Let us start with our vaccine journey.

Sputnik V vaccine

- In September 2020, when the first phase of the pandemic was still raging in India, Dr. Reddy's signed up with the Russian Direct Investment Fund (RDIF) — Russia's sovereign wealth fund — to cooperate on clinical trials and distribution of Sputnik V vaccine in India. Upon regulatory approval in India, RDIF committed to supply 100 million doses of the vaccine to Dr. Reddy's.
- Thereafter, we created a partnership with the Biotechnology Industry Research Assistance Council (BIRAC) of the Department of Biotechnology, Government of India, for advisory support and to use some of BIRAC's clinical trial centers for clinical trials of Sputnik V vaccine.
- From December 2020, we commenced clinical trials of Sputnik V. Based on satisfactory data from Phase II trials, we received approval from the Drugs Controller General of India (DCGI) to conduct Phase III clinical trial on 1,500 subjects as part of a randomized, double-blind, parallel-group, placebo-controlled study in India.

- Simultaneously, Sputnik V showed strong efficacy, immunogenicity and safety results in Phase III clinical trials conducted on 19,866 people in Russia by RDIF. The efficacy of Sputnik V against COVID-19 was reported at 91.6%.
- In February 2021, we initiated the process with DCGI for Emergency Use Authorization of Sputnik V. This authorization was granted in April 2021.
- On May 1, 2021, the first consignment of imported doses of the Sputnik V vaccine landed in India. These received regulatory clearance from the Central Drugs Laboratory, Kasauli, on May 13, 2021. The soft launch of the vaccine commenced and the first dose of the vaccine was administered in Hyderabad on May 14, 2021.
- Further consignments of imported doses are expected over the coming period. Subsequently, supply of the Sputnik V vaccine will commence from Indian manufacturing partners. Your company is working closely with six manufacturing partners in India to fulfil regulatory requirements to ensure smooth and timely supply.
- Sputnik V makes Dr. Reddy's, the third enterprise in India that has been authorized to supply COVID-19 vaccines.
- We will work closely with stakeholders in the government and the private sector in India to ensure the widest possible reach of the Sputnik V vaccine as part of the national inoculation effort. This is a reaffirmation of our determination to fight against the COVID-19 pandemic in India.

Sputnik V is not the only commitment of your company regarding COVID-19 treatments. In addition, we have been involved in three other medicines.

- Remdesivir:** We signed a licensing agreement with Gilead Sciences, Inc. that grants us the right to register, manufacture and sell Remdesivir, a potential treatment for COVID-19, in 127 countries including India. We launched Remdesivir under the brand name "Redyx™" in India in September 2020. With the surge of COVID-19 cases in the second wave, we ramped-up our capacities to increase availability of the medicine.
- Avigan® (Favipiravir):** We entered into a licensing agreement with Fujifilm Toyama Chemical Co. Ltd. to develop, sell and distribute Avigan® (Favipiravir) in all countries other than Japan, China and Russia. This has enabled us to launch Avigan® 200 mg tablets in India and few other markets. We are also conducting

Phase III trials in North America for outpatient setting with mild to moderate symptoms.

- 2-deoxy-D-glucose (2DG™):** The 2-DG has been developed by Defence Research and Development Organization (DRDO) laboratories, in collaboration with Dr. Reddy's. The drug received emergency use approval as adjunct therapy for hospitalized moderate to severe COVID-19 patients.

We are also working on Molnupiravir, Baricitinib and other COVID-19 drugs for treatment ranging from mild to severe conditions.

To retain basic continuity across our annual letters, let us share the consolidated financial results of your company for FY2021.

- Consolidated revenues were ₹ 189.7 billion, or a 9% growth over the previous year.
- Consolidated gross profit was ₹ 103.1 billion, which was 10% greater vis-à-vis FY2020.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) increased to ₹ 47.4 billion, or an increase of 2% versus the previous year.
- Operating profit increased by 52% to ₹ 24.3 billion.
- Profit before taxes (PBT) was ₹ 26.4 billion, which was 46% higher than ₹ 18 billion earned in the previous year.
- Profit after taxes (PAT) was ₹ 17.2 billion, or 12% less than in FY2020.
- Diluted earnings per share (EPS) was ₹ 103.65 in FY2021, versus ₹ 117.40 in FY2020.

We wish to take this opportunity of thanking every employee of your company for putting in all the extra efforts in these trying times to make these results happen. They have done spectacular work.

Two of our key promises have been addressing unmet patient needs, and helping patients to manage disease better. Nothing has underscored the importance of these promises as the COVID-19 pandemic.

We do not know when the second wave will subside. Neither do we know whether there will be a third wave and of what intensity. But we do know that the only preventive worth the name is vaccination. And we are committed to seeing that your company plays a key role in the vaccinating program for our citizens.

Because **Good Health Can't Wait.**

Many of us have lost loved ones during this pandemic, especially in the second wave. Our sincerest condolences to them and our prayers that the families have the spirit and strength to overcome their tragedies.

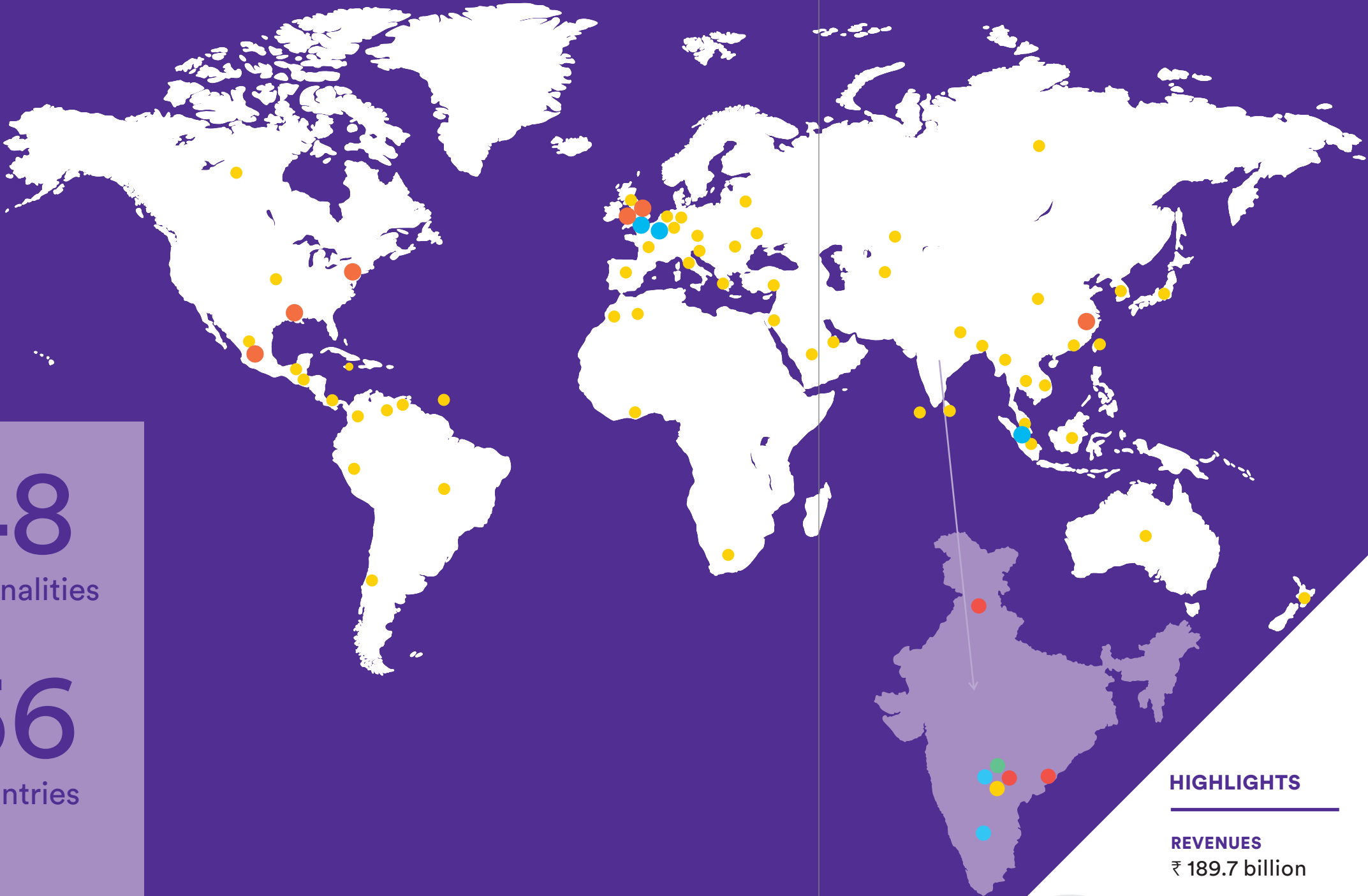
Stay safe. Vaccinate as soon as you can. Wear masks. Maintain social distancing. This, too, shall pass. But it needs our combined efforts. And determination to succeed.

With our best regards and prayers,

K Satish Reddy
Chairman

G V Prasad
Co-Chairman and
Managing Director

GLOBAL PRESENCE



48
Nationalities

56
Countries

- Sales & Marketing
- Research & Development Centres
- Manufacturing Facilities
- Headquarters

HIGHLIGHTS

REVENUES
₹ 189.7 billion

EBITDA
₹ 47.4 billion

PROFIT AFTER TAX
₹ 17.2 billion

DILUTED EPS
₹ 103.65

FILINGS

GENERIC FILINGS
20 ANDA filings
& one NDA filing

As on March 31, 2021, 95 generic filings are pending for approval (92 ANDAs and three NDAs). Of these, 47 are Para IV filings and we believe 23 of these have 'First-to-File' status.

DMF FILINGS
14 DMFs filed in the US.

LAUNCHES

NEW PRODUCTS
273

NAG
27

Europe
40

Emerging Markets
116

India
90
(Including Wockhardt acquired portfolio of 70 products)

OUR BUSINESSES

GLOBAL GENERICS (GG)

REVENUE
₹ 154.4 billion ↑ 12%
81.4% of net revenues

REVENUE BY GEOGRAPHY

▲ 9%	North America	₹ 70.5 billion
▲ 15%	India	₹ 33.4 billion
▲ 7%	Emerging Markets	₹ 35.1 billion
▲ 32%	Europe	₹ 15.4 billion

GLOBAL GENERICS

Global generics is our biggest business driver. We offer more than 550 high-quality generic drugs, keeping costs reasonable by leveraging our integrated operations.

Our expertise in active ingredients, product development skills, a keen understanding of regulations and intellectual property rights, as well as our streamlined supply chain, makes us leaders in this segment.

BIOLOGICS

Our biosimilars, generic equivalents of the innovator's biologics, offer affordable yet equally effective alternatives. Our product development capabilities and commercial reach have given us an established presence in this segment. We have six products in the market and an industry leading pipeline spanning oncology and autoimmune diseases.

Note: The numbers are as per IFRS reported financials

PHARMACEUTICAL SERVICES AND ACTIVE INGREDIENTS (PSAI)

REVENUE
₹ 32 billion ↑ 24%
16.8% of net revenues

ACTIVE PHARMACEUTICALS INGREDIENTS

Active Pharmaceuticals Ingredients (API) is one of our core businesses. We partner with several leading generic formulation companies in bringing their molecules first to the market. Our focus on innovation-led affordability gives our customers access to the most complex active ingredients, while maintaining a consistent global quality standard. Our API development efforts enable our own generics business to be cost competitive and get to market faster.

AURIGENE PHARMACEUTICAL SERVICES

Our custom pharmaceutical business is a promising future growth driver. We offer end-to-end product development and manufacturing services and solutions to innovator companies. Our rich and extensive knowledge repository of various types of formulations helps shorten time to market and support lifecycle management.

PROPRIETARY PRODUCTS & OTHERS

REVENUE
₹ 3.3 billion ↓ 69%
1.8% of net revenues

PROPRIETARY PRODUCTS

In our Proprietary Products business, we sold our U.S. and select territory rights for the commercialized portfolio of Derma and Neurology therapies that were being marketed in U.S. Our focus is now on development of differentiated formulations for global markets. The aim is to improve the patient's holistic experience with our medicines, so as to improve efficacy, ease of use and the resolution of unmet patient needs.

AURIGENE DISCOVERY

Aurigen Discovery, a wholly-owned subsidiary, is a clinical stage biotech company committed to bringing novel therapeutics for the treatment of cancer and inflammation. We have fully integrated drug discovery and development infrastructure from hit generation to clinical development. We have pioneered customized models of drug discovery and development collaborations with large-pharmaceutical, mid-pharmaceutical companies and biotechnology companies.

Over 550 high-quality generic medicines marketed worldwide

Differentiated formulations that present enhanced benefits

API is a foundational business for us

KEY PERFORMANCE INDICATORS

REVENUE ₹ MILLION

FY2021	1,89,722
FY2020	1,74,600
FY2019	1,53,851
FY2018	1,42,028
FY2017	1,40,809

GROSS PROFIT ₹ MILLION

FY2021	1,03,077
FY2020	94,009
FY2019	83,430
FY2018	76,304
FY2017	78,691

EBITDA ₹ MILLION

FY2021	47,386
FY2020	46,432
FY2019	34,189
FY2018	24,081
FY2017	25,495

PBT ₹ MILLION

FY2021	26,413
FY2020	18,032
FY2019	22,443
FY2018	14,341
FY2017	14,653

PAT ₹ MILLION

FY2021	17,238
FY2020	19,498
FY2019	18,795
FY2018	9,806
FY2017	12,039

NET WORTH ₹ MILLION

FY2021	1,73,062
FY2020	1,54,988
FY2019	1,40,197
FY2018	1,26,460
FY2017	1,24,044

ROCE %

FY2021	17.8
FY2020	12.2
FY2019	14.7
FY2018	8.2
FY2017	10.3

EPS (DILUTED) ₹

FY2021	103.6
FY2020	117.4
FY2019	113.1
FY2018	59.0
FY2017	72.1

NET DEBT TO EQUITY RATIO*

(0.04)	FY2021
(0.03)	FY2020
	FY2019 0.09
	FY2018 0.24
	FY2017 0.25

Note: The numbers are as per IFRS reported financials

* FY2021 Net debt to equity ratio computation excludes current borrowings & current investments

FOR HEALTH. FOR LIFE.

Putting science,
technology and
innovation
into practice

Leadership in chosen spaces

We continue to strengthen our market presence and build leadership positions in each of the segments we operate in, with a well-crafted strategy. We are also exploring inorganic growth opportunities to accelerate access to high-quality and affordable medicines to patients globally, and, in the process, create value for all our stakeholders.

Operational excellence and continuous improvement

To achieve industry-leading growth in our chosen spaces, we are augmenting our capabilities in manufacturing, supply chain and quality by deploying tools and systems, digital technologies and data analytics. These initiatives are improving productivity and building better customer connect, while permeating our culture of quality, compliance, safety, and execution excellence in every function, unit and location of the company.

Patient-centric product innovation

We have put in place an enhanced R&D and technology-driven platform to address the evolving needs of patients, physicians and caregivers, through the development of innovative products, services and digital business models.



VENTURING INTO AMAZON'S HEALTHCARE AISLE®

An important milestone for the OTC team in the U.S.

Dr. Reddy's first began selling its over-the-counter Habitrol® brand nicotine patches on Amazon in 2016, as an experiment. Shortly after launching Habitrol®, Doan's® was added to the portfolio.

The big change came two years later in 2018 when Amazon reached out to us looking for companies that could launch Amazon-exclusive brands in the OTC space. A veteran of the OTC team, Lindsay Proffitt, was put in charge of an exhaustive branding development program working with one of the best pharma-branding agencies in the business, Brand Institute. Under Proffitt's leadership, the team worked through hundreds of names and naming conventions and conducted multiple brand research efforts.

Interestingly, the name 'HealthCareAisle' came up in a casual discussion among the team members. Consumer research seemed to point to the name as innovative and likeable.

After landing on the name, the team hired another company to design the logo. With the brand and logo in hand, the team went about the business of designing the packaging in-house. Initially, the team thought they were simply going to develop and sell store-brand OTC products to Amazon, not unlike the way they sell to other big-box retailers and drug store chains. However, they quickly learned that, in order to be successful, you need to sell through Amazon, not to Amazon.

The team hired another experienced agency to help them navigate the Amazon business framework and also develop a marketing and merchandising plan specifically for Amazon. The key learnings, as well as strategy and brand development, took most of 2019, and by 2020, Dr. Reddy's direct-to-consumer strategic priority gained the necessary traction and proved its viability. In January this year, the HealthCareAisle® store brand hit a key milestone, achieving US\$ 100,000 of sales in a week.

At the current growth rate, the Amazon direct-to-consumer channel is now a key growth driver for the OTC business, and the team plans to launch products on Amazon first and then to other channels. Additionally, they anticipate ramping up to double their online portfolio to 50+ products in the foreseeable future.

In January this year, the HealthCareAisle® store brand hit a key milestone, achieving US\$ 100,000 of sales in a week.

LIVING OUR PURPOSE

How our teams kept medicine supplies to Europe moving during the pandemic

When flights began to be grounded at the beginning of the pandemic, our global supply chain acted quickly and with persistence to find new solutions. One example is the launch of a crucial generic medicine (Cinacalcet) in Europe.

In April 2020, with five days to go for the launch of the product, lockdowns and work-from-home policies began to be enforced in Europe. We found ourselves suddenly needing to find various alternatives on extremely short notice. Working remotely in many cases, colleagues began to hunt for the same. A major hurdle was the closing of airports in some countries – including at our import location in the European Union (EU), which was critical for this launch as the product was being flown in from India. To find alternatives, the Supply Chain team worked closely together with the Quality and Logistics teams to find ways to address the situation working late nights and through the weekend in an attempt to approve a new import location. In parallel, the manufacturing site in India implemented safety and hygiene measures in record time to ensure that manufacturing continued without delay.

AIR, ROAD, SEA

Instead of a direct flight from India to the final destination in Europe as originally planned, the new arrangement was to fly the product from India to another country with an open airport in Europe, then transport the medicines first by road through two more countries before taking the ferry to reach the final destination — of course, ensuring supply chain security at every step of the journey.

What followed was an excellent demonstration of clockwork precision and team play to ensure that the product made it to the destination on time. After due procedures, the product was launched as per plan with no delay.

STRONGER TOGETHER

To us, this story is an example of how our colleagues around the world have truly lived our brand principles of empathy and dynamism during the pandemic. It is as much a tribute to the sense of ownership and steadfastness shown by our colleagues in quickly adapting to new and unforeseen challenges posed by the pandemic, as it is to the personal and professional adjustments made by them to enable the same. The joy derived from recognizing the impact of one's work in meeting the unmet needs of patients and contributing to society is unmatched and has renewed our commitment to deliver on our purpose and responsibility towards patients and society.

Hard work, collaborative effort, clockwork precision and team play ensured that the product made it to Europe on time, and was launched without delay.



FUTURE-READY WITH VIRTUAL REALITY

Training employees using VR in Hyderabad and Vizag

As a pharmaceutical company, we believe in applying scientific techniques not only to come up with quality products, but also to increase overall efficiency in our facilities around the world. Manufacturing is a key process where we have embraced future-ready innovations so that our employees can learn new things quickly and easily. At the same time, manufacturing must also ensure quality, safety and efficiency – crucial tenets in the pharmaceutical world.

After intensive training, workers who join the shop floor are often overwhelmed by the plant environment and machine sizes for the first few days. In addition, they must apply their training in this environment, which can be challenging. We realised that a simulated training environment could go a long way to teach new employees the ropes, without them being intimidated by the equipment and keeping safe.

Enter our Virtual Reality Labs in Hyderabad and Vizag, where our employees train in manufacturing processes before joining the production floor. They get accustomed to their work environment, learn to perform safety checks, machine operations and quality checks.

The success of any virtual reality implementation project stands on selecting the most challenging scenarios and converting them into simulated cases or situations. Our content and technology partners worked seamlessly together to replicate our plant designs, machines and processes in the virtual world so that our employees can train in accurate modes and environments. For example, the VR module of our compression machine sees the employee performing various tasks virtually such as wearing PPEs, reviewing safety checks,

machine calibrations and so on. In real life, this is a huge hydraulics machine where a new operator may face a variety of safety and efficiency challenges. Operated with Human-Machine Interface, in a real scenario, a new resource can run into various safety hazards.

Our virtual reality training programmes help to bridge gaps in skill among incoming employees. It is at least 40 percent more efficient than traditional training methods and allows trainers to monitor employees' psychomotor skills, their levels of alertness and their reactions during emergencies. And our people, in turn, enjoy the experience.

Sridhar Sunkara, who anchored the VR fermentation module, says, "This is an excellent initiative. The machine is very interactive, it will definitely boost interest in learning." In fact, those who have trained in our VR labs are eagerly awaiting the opening of our third lab in Baddi. "This setup is very good, and it provides excellent on-the-job training," says Shweta Sharma, who attended the blender module.

As we go onwards and upwards, we know our people are the wind beneath our wings. We are committed to empowering them using the latest technologies and scientific know-how.

Enter our Virtual Reality Labs in Hyderabad and Vizag, where our employees train in manufacturing processes before joining the production floor.

