



Reaching Beyond

Purpose beyond profits



Beyond Disclosure



Beyond Profits



Beyond Compliance



Beyond Efficacy



Beyond Hierarchy



Beyond Philanthropy

BeyondBasics



Chairman's Message

Dear Stakeholder,

True sustainability can only be achieved through a balanced health, environmental, and development agenda that addresses the needs of every social stratum and facilitates inclusive growth along with democratic access.

Beyond the Privileged

In a country which represents approximately one sixth of humanity, the right to health only remains enshrined in the letter of the Constitution, but not implemented in practice. In spite of the great advances in medicine, its healing touch does not reach the grassroots.

Moreover, the economic inequalities in society keep the vulnerable sections bereft of healthcare. Even as international medical tourism flourishes in India, 39 million Indians are pushed into poverty each year because of personal expenditure on healthcare, as public spending on health remains abysmally low.

Sustainability - The Antidote

It has been our ongoing mission to rectify this malady, and make India a true healthcare democracy, where every individual can avail of cure with dignity. Dr. Reddy's was founded on this very premise - to provide access to affordable medicine.

Our solution to this problem goes beyond the basics. We are bridging the gap by working on both the shores:

Providing Affordable Medicines

Enhancing Income Levels

We are also building the necessary capabilities and soft skills among medical support professionals, through DRFHE programmes with an aim to strengthen the healthcare delivery system.

Today at Dr. Reddy's we have successfully blended the economic and the social to create a profitable business model that is inclusive and stands tall on the foundation of care.

Beyond Progress

Over and above economic and social, our concern for the environment is the third strategic pillar in our model. All three are intrinsically interwoven into our objectives and are a way of life at Dr. Reddy's.

We have further integrated green principles and concepts in our operation and augmented ongoing ones like solvent recovery systems to water recycling and energy saving to raw material productivity.

Green chemistry is one such pertinent example. At Dr. Reddy's, we explore the potential for green chemistry right from the very initial stages of drug development. This helps us reduce the external impact of our processes, build in economic efficiencies and arrest any potential business interruptions.

Sustainability is not an overlay on our business process, it is our business process. Thus, it is no surprise that we continue to operate our business in a sustainable manner in times of calm or crisis.

I would like to sum up with an inspiring quote from the Upanishads that will help us be faithful to the sustainable path.

You are what your deep driving desire is.
As is your desire, so is your will.
As is your will, so is your deed.
As is your deed, so is your destiny.

A strong desire is all we need to create a healthier and cleaner world for our future generations. So let's traverse beyond artificial limitations, beyond prejudices and beyond basic business to make a lasting difference.

Regards,

Dr. K. Anji Reddy
Founder Chairman, Dr. Reddy's

BeyondSatisfactory



Message from Vice-Chairman & CEO

Dear Stakeholder,

2010 could have been better. We continued on our journey of sustainability, but the pace could have been faster. We did small things, for instance, we made our buildings more environment friendly, more energy efficient, and used less energy-intensive lighting.

But we expect more from ourselves and need to reach beyond the low hanging fruit to the next level of maturity along the sustainability curve. We need transformational change. We know what we want to achieve, but sometimes falter in the face of short term pressures.

We faced a fair share of unexpected events this year. The world economy hit the bottom of its worst slump. Pricing pressures increased and so did government regulations. We also had to navigate two product recalls, which although should not have happened in the first place, helped us emerge stronger from the experience. Our transparency during the exercise; the speed with which we acted and the alertness of our Pharmacovigilance department were the silver lining.

Our objective is to leverage sustainability to create significant stakeholder value, as opposed to merely mitigating risk.

Though our main business today is generics, our goal is to be innovators in sustainability; to discover new means and to establish new benchmarks.

Towards fulfillment of this aspiration, we have significantly enhanced leadership capacity throughout the organisation. This will allow us to achieve considerably superior rates of resource productivity across all three key resources - human resources, natural resources and financial resources - and ensure abundant supply in each stream.

Collaboration and symbiotic relationships are at the heart of sustainability. Collaborative approaches such as our strategic alliance with GlaxoSmithKline (GSK) to supply over 100

branded drugs; the remodeling of our Discovery Research division; and the in-licensing deal with Russia's R-Pharm, will help synergistically leverage existing assets and raise the sustainability quotient for both - us and our collaborators.

As we build our future, we need to continue giving space to professionals in the workplace and go beyond legacy staffing principles. We aim to match jobs to individual competencies and ambitions, instead of just matching individuals to jobs.

In pursuit of our core goal to 'provide affordable and innovative medicines for healthier lives', we need to go beyond the usual price cuts and continue to invest in research and development that is relevant to diseases affecting large sections of society, pursue a collaborative approach to Intellectual Property Rights, formulate new models that generate profits for the entire industry, including for the originator.

We strongly believe that business has a central role to play in driving progress and change in society. Our social interventions continued to gain ground across all three life-altering domains of Education, Health and Livelihood.

Going forward, we wish to institutionalise a self-powered continuous cycle wherein we listen to stakeholders and to the Earth's biology, analyse humanity's social contracts, and drive change to harmoniously deliver across all three bottom lines.

We encourage you to engage with us and share your views on how we can enhance our sustainability quotient and its reporting. Do write to us.

Regards,

G.V. Prasad
Vice-Chairman & CEO, Dr. Reddy's

BeyondLegacy



MD & COO's Message

Dear Stakeholder,

The weather is not the only thing that is changing. The global business climate and the social environment are equally tumultuous.

The generics industry too is feeling the impact. The economic slowdown, a large patent expiry pipeline, authorised generics, pricing pressures, changing regulatory frameworks and an enhanced demand for generics by insurance companies are giving birth to new market paradigms.

Environmental concerns about water usage and discharge are rising to the forefront. On the social front, the impact of various global epidemics such as Swine Flu, SARS et al. and affordability have attracted unprecedented media attention to the industry, resulting in intense government-industry-society engagement.

At Dr. Reddy's, we are going beyond legacy and reinforcing our connect with stakeholders.

We are proactively harnessing emerging opportunities and adopting mechanisms to mitigate risks.

Market Connect

Our strategic association with GlaxoSmithKline helped us tap emerging markets. This enabled us to not only provide affordable medicine to a larger population, but also cater to a broader spectrum of medical needs.

Quality Connect

We initiated two key quality concepts this year. Quality by Design (QbD) is a structured approach to build in quality right from the design stage. Secondly, we covered significant ground in embedding our quality systems across our supply chain.

Several customer audits conducted during the year helped refine our systems and processes even further.

Talent Connect

New investments, new facilities and new capabilities all translated into an increase of over 2,500 employees. Communication aimed at aligning vision, roles and responsibilities took center stage.

Environment Connect

We introduced a holistic approach to product development and process selection, which has led to environment impacts being factored in right from the start. Investments required to preserve the environment are budgeted and form an integral part of the selection criteria.

Our commitment to pursue environmental goals ensures that environmental performance is integrated at Dr. Reddy's and remains the foundation of our past and future successes.

Community Connect

Caring for communities comes naturally to Dr. Reddy's and commendable work has been done in this area over the years through Dr. Reddy's Foundation. The big change this year was the active participation of employees in social interventions. They helped identify the needs of the local community and devised suitable programmes that not only catered to them but also leveraged the core competency of the organisation. This has helped weave a symbiotic relationship between Dr. Reddy's and local communities.

Our performance across the triple bottom line is not due to one or two activities or interventions. It is because the team understands the core philosophy of sustainability and having experienced its positive outcomes, is self-motivated to go beyond and make a difference.

Regards,

K. Satish Reddy
MD & COO, Dr. Reddy's



Dr. Reddy's Laboratories Ltd. (NYSE: RDY) is an integrated global pharmaceutical company, committed to provide affordable and innovative medicines for healthier lives.

We are the 2nd largest pharmaceutical from India and were the youngest among our peers to cross the **USD 1 Billion** mark in FY 2007.

Business Portfolio



PHARMACEUTICAL SERVICES AND ACTIVE INGREDIENTS

Through our PSAI business, which comprises the Active Pharmaceutical Ingredients (API) and Custom Pharmaceutical Services (CPS) businesses, we offer Intellectual Property (IP) advantages, speedy product development and cost-effective manufacturing services to our customers - generic companies and innovators. This allows us to help make quality medicines available to more people around the world.



GLOBAL GENERICS

Through our branded and unbranded Global Generics business, we fulfill our purpose of providing affordable medicines to more people around the world by offering lower-cost alternatives to highly-priced innovator brands both directly and through key partnerships. Our capabilities span the entire value chain - from process development of the API to submission of the finished dosage dossier to the regulatory agencies.



PROPRIETARY PRODUCTS

Our Proprietary Products business comprises New Chemical Entities (NCEs) Research, Biologics and Differentiated Formulations. In each of these areas, we are building world-class capabilities and partnerships to accelerate the discovery and development of new and improved therapies in the areas of bacterial infections, metabolic disorders and pain & inflammatory diseases.

Global Presence

Headquartered in Hyderabad, India, we have a global presence and an extensive marketing network through international subsidiaries, marketing partners and joint ventures.

With the marketing deal signed with GSK in June 2009, we now have the power of around seven thousand sales representatives of GSK in the emerging markets, through which our products would reach patients across the globe.





Sustainability is embedded in our DNA. Transparency, governance and ethical behaviour are routine at Dr. Reddy's and evident in policies and actions.

DNA of Sustainability

Protecting the environment, caring for the community or providing affordable and innovative medicine have been key ingredients of our business strategy. Some of the strategic initiatives interwoven with our daily operations include:

| | | |
|------------------------|--|---|
| Quality by Design | | Principles of the Theory of Constraints |
| Leadership Development | | Lean Manufacturing |



Sustainability Framework

In FY 2009, we undertook a detailed structured exercise involving the identification of our stakeholders, understanding stakeholder concerns and perspectives through one-on-one engagements, identifying issues that are important to us and our stakeholders through a materiality assessment in consultation with the Management Council and finally crystallised our Sustainability Framework comprising six key material issues.



Providing Affordable and Innovative Medicines

To enhance the reach of our affordable generics we regularly enlarge our footprint by entering new geographies and penetrating deeper in our existing markets.

Environmental Management and Climate Change

We integrate environment concerns right at the development and process design stage and analyse every decision through a green prism.

Sustainable Sourcing

From raising awareness, to empowering them through training, to equipping them with technology and best practices, to extending resource assistance, we proactively help our supply partners raise their sustainability quotient.

Product Responsibility

The quality, benefits and safety - including reliable storage and supply are integral to our drugs. All our products meet regulatory and safety standards and approvals.

Being an Employer of Choice

Our vibrant work environment allows our employees to perform at peak potential, encourages transparent employee communication and policies, provides ample growth opportunities and rewards merit and results.

Caring for Communities

We go beyond episodic philanthropic assistance to create real opportunities for those who do not have access to them. The focus is on three life-altering areas: patient care, education and livelihood.



The purpose of our business is to provide affordable and innovative medicines for healthier lives.

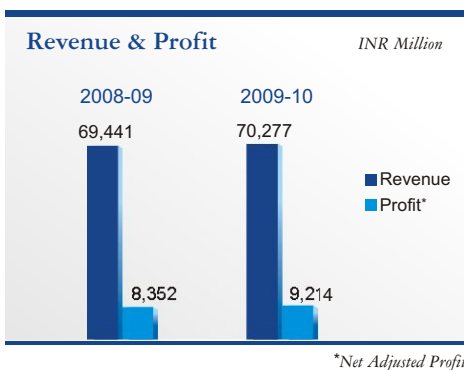
Economic Performance

At Dr. Reddy's, we believe that what a business is driven by determines its value. Profit alone cannot sustain success. To remain relevant, a business needs to be piloted by a purpose.

We understand that our true value is the sum of our core values. It is determined, not just by the profit we earn, but also by the societal and environmental wealth that we generate. Our business strategies are inclusive and aim to protect the interests of each and every stakeholder - employees, customers, business partners, communities and the planet.

However, we are aware that a healthy economic cycle strengthens societal and environmental support systems and is, thus, imperative to sustainability. Therefore, as an organisation we are committed to the creation and distribution of economic value.

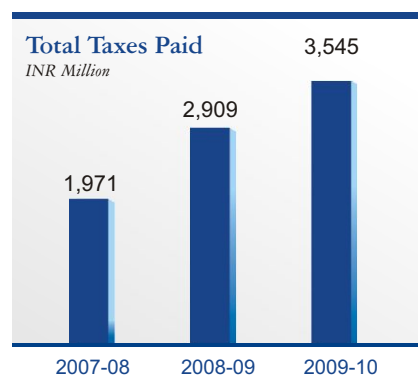
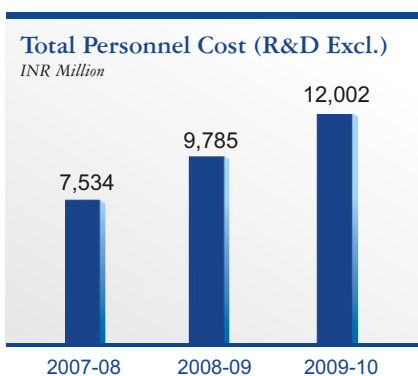
Economic Value Generated



Dr. Reddy's was listed amongst the Top 10 generic companies in the US market - thereby recognising our abilities to compete and thrive in this important territory.

Revenues from the Indian formulation market crossed the INR 10,000 million mark. This represents a healthy growth of 20% in 2009-10.

Economic Value Distributed

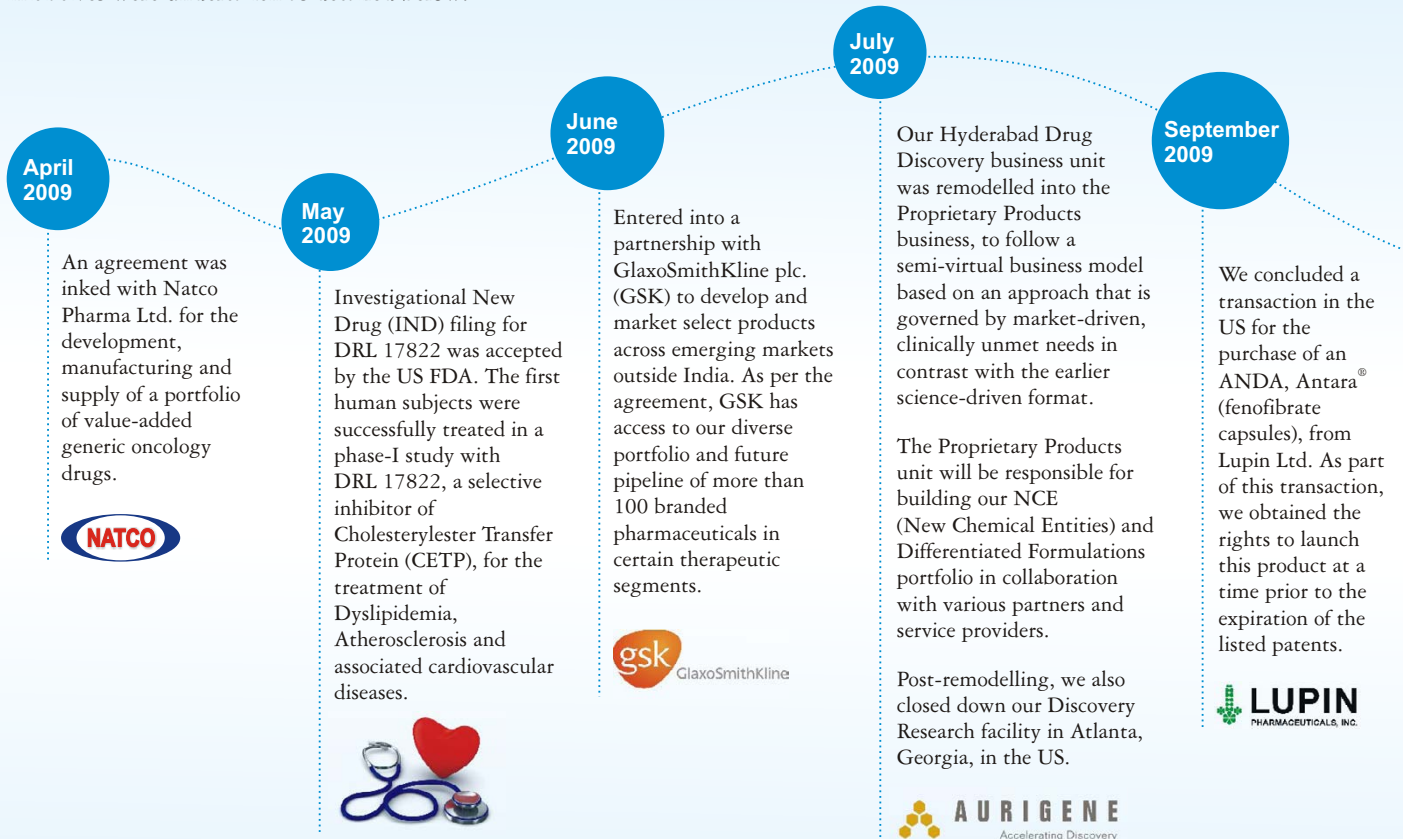


Affordable & Innovative Medicine

At Dr. Reddy's, it is our constant endeavour to hone our competitive edge and provide access to affordable and innovative medicines across the globe. We think beyond set norms and outside the box to unearth opportunities that meld affordability for people everywhere with revenues for the organisation.

2009-10 AIM TIMELINE

Increasing affordability and accessibility around the world, creating innovation-driven businesses for long-term value creation and embracing the triple bottom-line approach to sustainability, define us. Throughout the year, a steady stream of initiatives were undertaken as detailed below:



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Sustainable Sourcing

We recognise that to be a truly sustainable organisation, we must reach beyond our boundaries and take our strategic business partners and customers along with us on this journey. Our key focus areas are:

- Sustainable Business Partnerships
- Sustainable Logistics
- Conservation of Resources

1 SUSTAINABLE BUSINESS PARTNERSHIPS

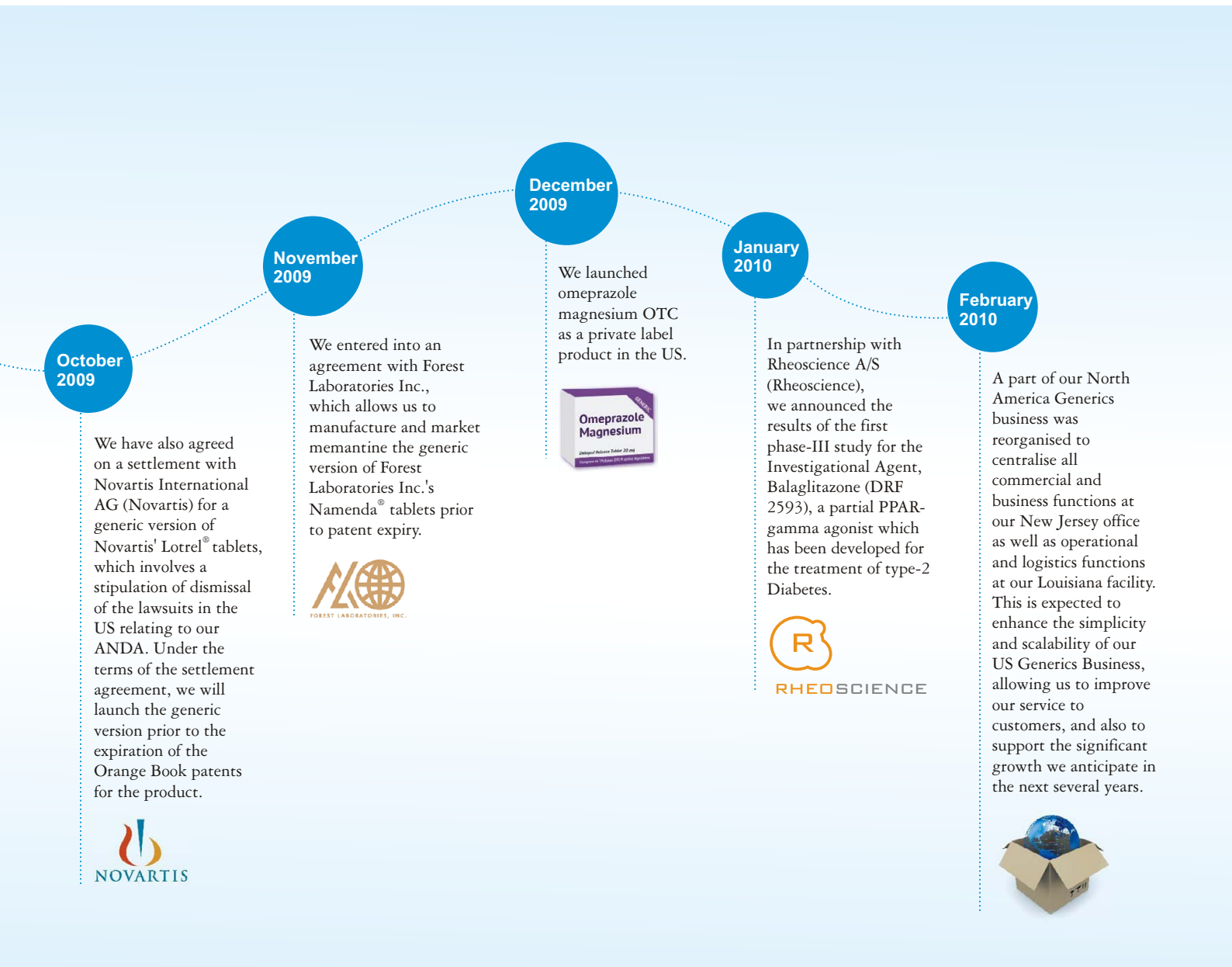
- Quality control
- Compliance
- Facility design
- Safety and health
- Risk analysis and remedial measures

2 SUSTAINABLE LOGISTICS

- Set up supplier facilities in the vicinity of our operations
- Import-routing optimisation

3 CONSERVATION OF RESOURCES

- Inventory management - replenish to consumption
- Moving towards a paperless organisation
- Reduce and reuse



In the reporting year, various steps were taken towards building a more robust sustainable supply chain. Below are a select few:



Green Packaging

Previously, BOPP lamination was used on product cartons that were exported. This has now been replaced with Aqueous varnish or UV varnish which is more environment friendly. Additionally, the new cartons have reduced the usage of plastic.



Towards a Paperless Organisation

At Dr. Reddy's, we make a conscious effort to identify and restrict processes that use paper. All the administrative work at our offices takes place through emails. We have also started issuing purchase orders to our vendors through email. Efforts are on to extend the use of paperless alternatives in all our processes. We understand that implementing this throughout the organisation (particularly packaging) is not feasible currently, but we continue to strive to make Dr. Reddy's a completely paperless organisation.



Compliance is our cornerstone. Every employee is encouraged to be an environment custodian and strategic initiatives like Green Chemistry have been championed by individuals.

Environmental Performance

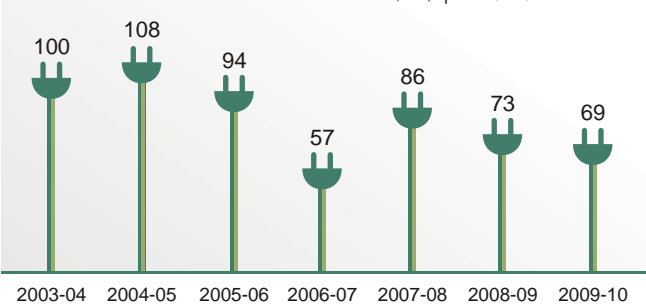
At Dr. Reddy's, we recognise the importance of a clean environment and it is our constant endeavour to go beyond regulatory compliance to contribute to it. This consciousness underpins our strategy and business model, which are focused not just on mitigating the environmental after-effects of business, but on containing them from the very start. Instead of adopting an 'end of pipe' solution approach, we give significant thought to the design of products, processes and plants, so that they have a sensible environmental footprint from day one.

As we continually seek new and more effective ways of minimising our impact on the environment, we are acutely aware of the correlation between global warming and the incidence of infectious diseases.

In FY 2009-10, our expenditure on and investment in environmental protection amounted to INR 17.02 million. As in previous years, we continued to build on our green initiatives by adopting new ones like the industry Green Rating initiative and giving traction to ongoing ones.

Energy

SPECIFIC ENERGY USAGE Unit Sale (mm) | FY 03-04 = 100

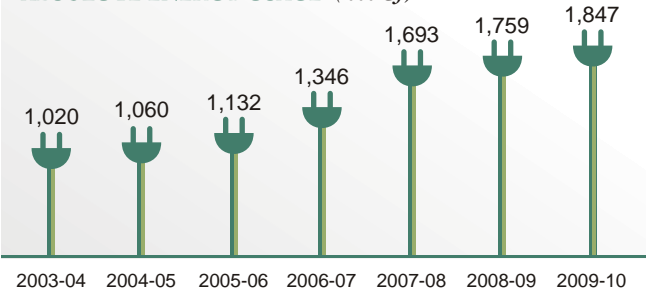


Energy Conservation

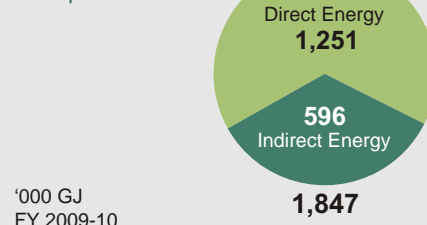
Energy saved due to conservation and efficiency improvements during 2009-10

| | Million kwh |
|------------------------------|-------------|
| In-house Energy Projects | 3.35 |
| TERI Audit Implementation | 1.82 |
| Total (in GJ: 18,622) | 5.17 |

ABSOLUTE ENERGY USAGE ('000 GJ)



Energy Composition



Direct Energy: Estimated based on fuel energy usage.

Indirect Energy: From grid.

Water

At Dr. Reddy's, we consider the judicious use of fresh water as a prime responsibility. We recognise that high-quality water is vital for consistent and top-quality production.

Over the years, our water conservation initiatives have taken hold and gained ground within the organisation. The highlight of this year has been the commissioning of our second wastewater treatment facility in formulations.



'Wastewater discharged' plummeted to 3,740 m³ as compared to 37,000 m³ last year.

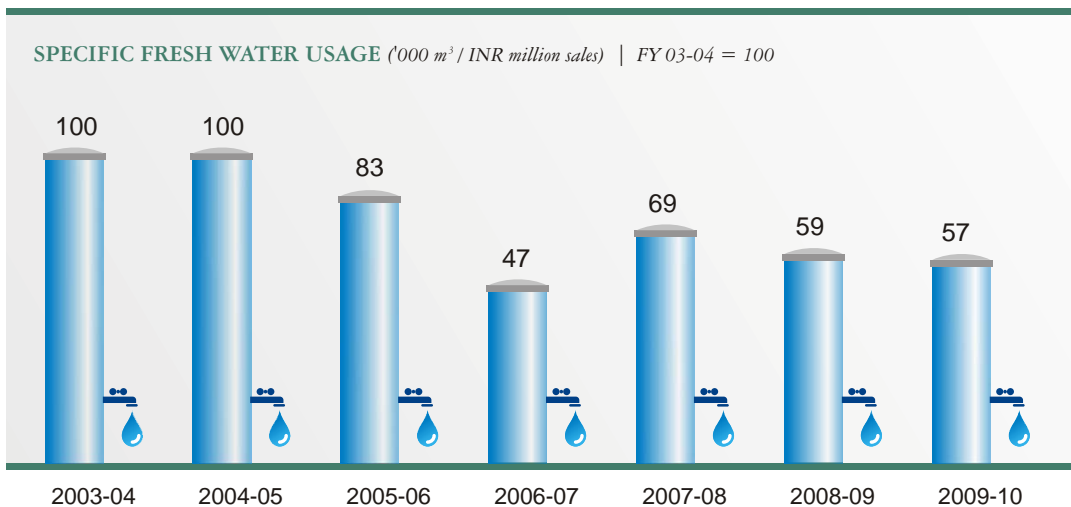
Post commissioning of the Zero Liquid Discharge Plant (ZLDP) in FY 2008-09, the absolute water consumption at the Biologics Development Center has reduced by 50%.

During FY 2009-10, 28% of our water requirement was met through recycled water. Our recycled water usage increased by 9% to 558,000 m³ in FY 2009-10, up from 510,000 m³ in FY 2008-09.

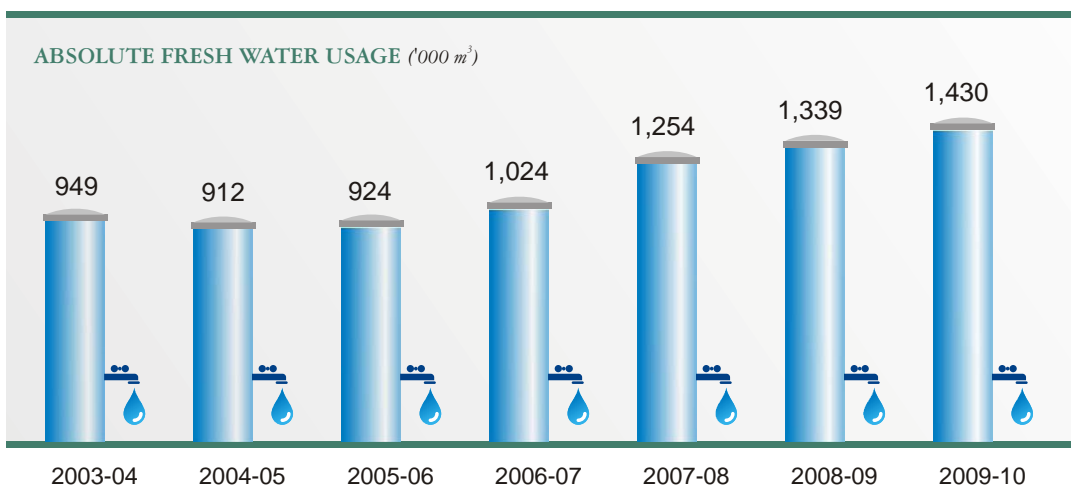
Water Conservation Initiatives

| | | | | |
|-------------------------------------|-------------------------------|--|--|---------------------------------------|
| Installation of Air Cooled Chillers | Initiation of Water Balancing | Introduction of Water Recycling at FTO-1 | Modification of ETPs for Better Efficiency | Online Monitoring Systems for Boilers |
|-------------------------------------|-------------------------------|--|--|---------------------------------------|

Water Consumption Trend



Our specific water consumption continued to demonstrate a downward trend.



Due to enhanced production, our absolute water consumption rose by 7% this year.

Waste

This year, the total quantity of hazardous waste disposed was 13,045 tons, a significant reduction of 37% over FY 2008-09. This decline was on account of a large proportion of hazardous waste being upcycled to cement companies as an alternative fuel.



The three-year growth in the production of non-hazardous waste too was arrested this year as it marked a decline of 3%.



Solvent Management

At Dr. Reddy's, minimising the consumption of solvents and their prudent disposal is a key priority. We have substantially reduced use of Class I & II solvents. We are particular that any solvent we use is benzene free and therefore we have adopted the use of solvents like 'Hexane'.

Responsible Disposal

We take solvent disposal seriously. This year one of our teams travelled all the way to Surat from Visakhapatnam, to confirm that the final usage of solvent disposed from our facilities was indeed for productive use in textile units.

Disposal of Organic Residue

In the reporting year, over 1,700 metric ton, constituting about 50% of the Company's organic residue generation, was sent to the cement industry for use as auxiliary fuel, and the balance was incinerated.

Emissions

At Dr. Reddy's, refining our processes to minimise the impact on the environment ranks high on our list of priorities. Our efforts are focused on being more eco-efficient and reducing our existing carbon footprint.




The increase in absolute GHG emissions for FY 2009-10 was on account of the expansion of our FTO 3 and FTO 6 units. The increased fuel usage due to power outages also contributed to the rise in emissions. The silver lining to the emission cloud was that the rate of increase has come down from 17% last year to 11% this year.

Green Chemistry

We are spearheading the uptake of Green Chemistry not just within the Company, but also within the Indian pharmaceutical industry. To entrench this concept within Dr. Reddy's and to give it an industry-wide impetus in India, we have joined the Pharmaceutical Roundtable, a partnership between American Chemical Society (ACS) Green Chemistry Institute® and global pharmaceutical companies. The roundtable was founded in 2005 to promote innovation while catalysing the integration of green chemistry and green engineering in the pharmaceutical industry.

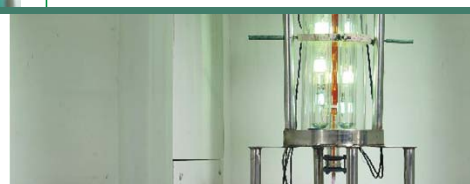
Dr. Reddy's is the world's first generic pharmaceutical company to become a member of ACS – GCI.

Our approach to green chemistry follows a four step process:

| | | | |
|--|---|--|--|
| <p>1 Selection of the Right Route</p> <p>Follow a process efficiency matrix that allows us to zero in on the right atom efficiency by comparing various factors such as the right yield, maximum cost benefit and the amount of solvent and water being used or wasted.</p> | <p>2 Screening of Reaction</p> <p>Decide the best solvent, the best catalyst and the best reagents for the reaction. It also includes optimising the reaction temperature.</p> | <p>3 Optimisation of Process</p> <p>Achieve a minimum 90% yield.</p>  | <p>4 Efficient Scale-up</p> <p>Currently the pharmaceutical industry produces 50 kg of waste for one kilogram of product. At Dr. Reddy's, we are in the process of setting an industry benchmark of cutting the wastage down to 20-25 kg per kilogram of product.</p> |
|--|---|--|--|



Green Chemistry is an organisational initiative of Dr. Reddy's and a Centre of Excellence has been set up at our IPDO to steer this initiative.



Generic pharmaceutical companies such as Dr. Reddy's in collaboration with the scientific community such as GCI have the potential to provide critical leadership in engaging and educating the future generation of scientists for a sustainable planet.



By embracing the QbD approach, migrating from batch processes to continuous process, enhancing automation and implementing proactive pharmacovigilance practices - we are integrating quality, safety and environmental care in each of our product.

Product Responsibility

We are committed to ensure that the drugs we develop, manufacture and market are safe, effective, meet the required quality norms and are accessible and affordable to the largest possible section of society.

We comply with some of the most stringent regulations and standards in the industry; and do so consistently. We take care that our production line is imbued with quality, integrity and a sense of ownership, at all times.

Quality Management

When it comes to quality, we pursue an integrated systems approach. Our commitment to quality permeates our processes, our people and our products. We meticulously adhere to quality systems and parameters as specified by regulatory requirements in each of the geographies in which we operate.

To ensure a continuous stream of improvement, we have introduced processes such as:



Corrective and Preventive Action

The objective is to optimise business performance by identifying a problem, addressing it and chalking out an action plan to ensure zero error repetition.

Critical Process and C_{pk} Reviews

The process capability index (C_{pk}), also known as the process capability ratio, is a statistical measure of process capability or the ability of a process to produce output within specification limits. This statistical measure was implemented this year and we expect data to start flowing in next year.

Quality by Design

In order to advance product and process quality and as a vehicle to transform how we discover, develop, and commercially manufacture drugs, we have adopted the Quality by Design (QbD) approach. A successor to the Quality by Inspection approach, QbD is an approach wherein quality is achieved through understanding of the product and process by which it is developed and manufactured along with a knowledge of the risks involved in manufacturing the product and how best to mitigate those risks.



Migration from Batch to Continuous Process

At Dr. Reddy's, we are migrating from batch processes to continuous process. This will lead to enormous energy savings and waste reduction.

Automation

We have undertaken a massive automation drive with the objective of enhancing quality, reliability and consistency. As a result of using automation and new technologically advanced machines that minimise the dependence on human inspection, the instances of defects have been, by and large, eradicated.

Material Sourcing Quality Assurance Group

The Material Sourcing Quality Assurance Group (MSQA) successfully implements Dr. Reddy's quality and regulatory initiatives at strategic business partner sites. Through the model of contract manufacturing and strategic sourcing, MSQA works for the continuous development of selected partners.



Quality Assurance

We achieve quality assurance through a two-tiered approach:

Development Quality Assurance (DQA) - R&D

Quality Assurance (QA) - Commercial

Regulatory Compliance

Our compliance levels have increased significantly and so has our proactive engagement with the regulatory bodies. In the pharmaceutical sector, the demands of compliance are very high.



Our constant effort is to eliminate irrational processes and, through training and leadership, instill sustainable processes into the psyche of every individual within our sphere of operation.

Our regulation and compliance department makes periodic visits to the offices of the regulator and actively engages with them in order to seek their advice on major issues relevant to Dr. Reddy's and the impact of imminent regulations.

This enhanced engagement has also helped us understand how the regulators interpret compliance criteria and has thereby helped us contain the risk of misinterpretation. Based on this knowledge we have recalibrated our systems and processes.

To comply with global regulatory requirements that ensure product quality and safety requirements as laid down by key governing bodies, namely FDA and MHRA, we follow the ICHQ7 guidance document for API, 21CFR Part 210 and 211 for Formulations, applicable European regulations and Indian Drugs and Cosmetic rules.

Apart from regulatory audits, customers too conduct audits across our units. During these audits, we receive valuable feedback and we work towards refining our quality system based on this feedback.

Pharmacovigilance

Patient care is of utmost importance. This is the core principle of duty of the healthcare sector and we never compromise on patient safety.

As a consequence of this key concern, the Pharmacovigilance (PV) and Clinical Strategy Group have been increasing both in size and knowledge at Dr. Reddy's.

The PV team now intervenes at an early stage, rather than acting as a watchdog. It is an integral part of the strategy team that decides on product development. It facilitates informed decisions by bringing to the table the merits and demerits of a given drug. As a result, our processes have become more robust and key decisions have become more and more dependent on PV. This strategic role of the PV team will develop even further in the coming years.



Addressing Counterfeit Drugs

The problem of counterfeit drugs is known to exist in both developed and developing countries. We have instituted a number of systems and initiatives, to prevent counterfeiting of our products. These include:

Use of a specific sequence for batch numbering, manufacturing and expiry date

Use of hologram stickers

Employment of specialised printing techniques to safeguard products from cheap counterfeits

Implementation of a coin reactive zone



Looking Ahead



The Generics market looks promising in the near future with a number of molecules going off patent in the next couple of years. Through widespread implementation of robust systems and processes like QbD, we aim to synergise product quality, safety and compliance as we continue to pursue our goal to attain first-mover advantage.

We expect Biosimilars to hold center-stage in the coming years and our expertise in pharmacovigilance will be put to test.

We are determined to restrict the proliferation of counterfeit medicines and will continue to invest in innovative packaging techniques.





Beyond Hierarchy

Regardless of age, gender, rank and status - each employee at Dr. Reddy's has a voice which is heard and is empowered to take healthy risks and grow not just as a professional but also as an individual.

Talent Management

At Dr. Reddy's, the 'One Team' concept is long prescribed in our work culture and is an active ingredient of our talent management formula. By going beyond hierarchy, we are building bonds with each of our employees - right from the management board to the machine operator. Together they are challenging the status quo, raising the bar and performing beyond potential.

Our total workforce crossed the 13,450 mark, including 2,600 employees based at locations outside India.

TALENT SUSTAINABILITY HIGHLIGHTS

192 employees were encouraged to pursue a Master's Degree in disciplines such as Management, Pharmaceuticals and Pharmaceutical Chemistry.

A series of leadership training initiatives were conducted for a stream of employees across senior, middle and junior management.

A total of 6,568 man days of training was provided.

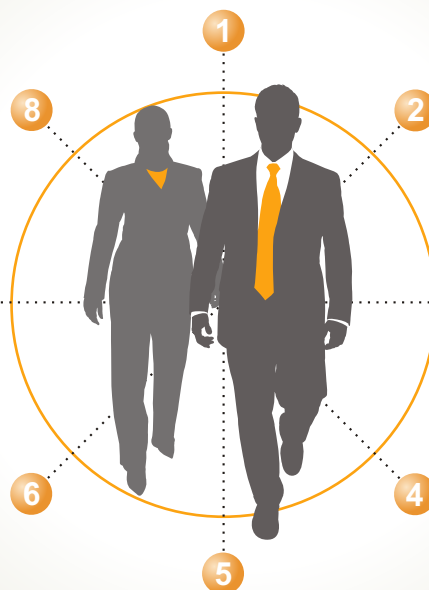
During the year, around 4,100 new employees were hired, including replacements.

Nominations for promotion to and within Senior Management were taken through the Talent Management Board (TMB) process for the first time on a pilot basis.

3,200 trainees were offered induction training that focused on work ethics, skills and corporate culture, among others.

Technical and behavioural training was conducted for 2,280 employees.

Various recreational programmes were conducted for our employees across our locations.



Beyond Work

A monthly employee engagement event called 'Color Club' was celebrated across PSAIs. The event drew enthusiastic participation from staff and workmen alike. The event included welcoming new recruits, birthday felicitations and other games.



3rd Leadership Summit

This year, the third successful leadership summit was hosted in Boston with a focus on 'Building Towering Competence in Product Development'. Flagged-off in 2008, the annual leadership summit, is an event personally anchored by our CEO and COO.



Employees' Suggestion Platforms

An employee involvement initiative, 'Simplify' provides our employees the platform to give suggestions on process improvements. Valid suggestions are not only recognised by the Plant Head, but also get implemented by the concerned Head of Department.



Self Managed Teams

We are the first pharmaceutical company in India to implement the Self Managed Teams (SMTs) initiative. What makes the SMT unique is that it has no hierarchies, and it encourages employees to feel responsible, become accountable and believe that they are significant contributors to the entire operation.

This initiative undertaken at our Baddi and Yanam plants has proved effective and successful.



Diversity Management

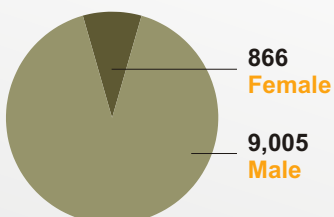
At Dr. Reddy's, diversity is celebrated in culture, age, gender, caste, religion, language and ethnicity. We continuously enhance the diversity of our workforce by amplifying our global talent pool, inducting young and fresh talent, employing differently-abled individuals, and increasing the ratio of female employees.

Globally, our employees hail from 25 nations. This diversity is also reflected at the highest level, where 30% members of our Board of Directors are foreign nationals and 10% members are women.

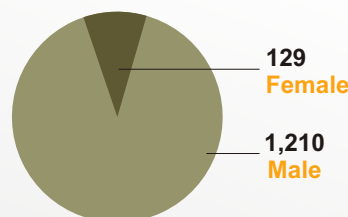
At Dr. Reddy's, we encourage diversity in thinking, and commonality in execution.

GENDER DIVERSITY

Employee Strength*



Employee Turnover



* break up of India-based employees (excludes Aurigene)

Diversity for us is the interplay of different modes of thinking that broadens the length and breadth of imagination, innovation, ideas and creativity.

Safe & Healthy Workplace



At Dr. Reddy's, our constant pursuit is to provide a positive, secure and healthy work environment wherein employees can work undisturbed with passion and commitment. We are aware that the impact of our safety and health practices transcends our immediate workforce and affects their family, dependents and society at large.

One of our key priorities is to oversee that our employees and contractors are shielded not only from physical injuries, but also from exposure to occupational health hazards such as chemicals, noise, heat, radiation and vibration.

In the reporting year, a methodical tracking of leading indicators continued in the health and safety arena. SHE personnel safety rounds, statutory inspections, safety awareness, audits, safety meetings, to name a few. This year, we also initiated workplace monitoring and our Personal Protective Equipment (PPE) usage compliance increased to 70%.

Furthermore, in the reporting year, various other monitoring tools were implemented to reinforce OHS. We continued to focus on building capabilities which can effectively handle emergencies. 33 mock drills, 54 fire drills and 23 first-aid training programmes were conducted. As on 31st March 2010, 835 trained first aiders and 1,315 trained fire fighters stand vigil at various locations.

To ensure proper health, safety and workplace rights we have adopted a proactive approach to workplace compliance. We conform to an array of laws and regulations.

Work-life Balance



We acknowledge the role of individuals beyond their professional lives. Hence, we stress on striking a healthy work-life balance that goes beyond just stress management at work. By allowing flexibility in work, conducting rejuvenation programmes and availing of a host of leave benefits as well as tangible and intangible incentives, we ensure that our employees lead a balanced, stress-free and fulfilling life.

In FY 2009-10, we introduced several new policies such as flexible work timings, sabbatical leave, part-time work, paternity & maternity leave as well as leave for those adopting a child. For the ease of our employees, we provide them with laptops on weekends. This enables them to work from home and cut commuting time.

Employees are provided with free medical check-ups as well as medical insurance. They also have access to over 3,500 network hospitals and nursing homes across India.

Beyond employee healthcare, we also extend medical support to employees' parents. In fact, 65% to 70% of our spend on medical insurance accounts for our employees' parents. Our health check-up facility is also available to the family at discounted rates.



We empower doctors by enhancing the medical knowledge of their assistants through Sarathi, a comprehensive training program. The initiative complements doctors' efforts in offering better patient care.

Social Performance

Social responsibility at Dr. Reddy's transcends cheque-book charity. It is about enhancing healthcare, imparting education, developing skills, providing opportunities, and unlocking the doors of progress.

Our focus has primarily been on three life-altering areas



Patient Care



Education



Livelihood

OUR APPROACH TO COMMUNITY CARE

We inject business efficiency into community care and invest professional resources, talent and technical expertise in it. We approach community interventions as we do successful product launches. We research community needs, develop and pilot new projects, scale them up, and once proven, collaborate with the government and various Non-Governmental Organisations (NGOs) to roll them out.

OUR TWO-TIER ENGAGEMENT MODEL

We engage with the community at two levels, one being in and around our campuses with the active involvement of our employees and the other wherein we lend support to Non-Profit Organisations such as Dr. Reddy's Foundation (DRF) and the Centre for Social Initiative and Management (CSIM).

Across our Campuses, Around the World

INDIA

Our pan-India presence offers us the perfect opportunity to usher in relevant change, with our initiatives.

PATIENT CARE INITIATIVES



Through Sparsh, we ensure that the underprivileged patients identified by Oncologists are treated free of cost. Since its inception in 2006 to 31st March, 2010, Sparsh has benefited 4,250 patients, providing 3,500 treatment cycles. Reditux alone has been made available to more than 1,000 patients. Support has been extended to the tune of INR 240 million @ PTS Value in FY 2009-10.

Health Camps

At our health camps, we not only offer treatment and medicines free of cost, but also create health and hygiene awareness, especially among children and the rural population. In the reporting year, six camps were conducted by Dr. Reddy's. Volunteers also donated 656 units of blood.



EDUCATIONAL INITIATIVES

Power of 10™

Every month, our employees contribute INR 10 or multiples of 10 to Naandi Foundation, a Non-Profit Organisation (NPO), which provides health and education facilities through various programmes. To encourage this culture of giving which has been espoused by our employees, Dr. Reddy's too makes a contribution to the Power of 10™ that matches employee contribution. During the year, Dr. Reddy's employees together contributed over INR 2,440,000.

Operational Support

We identify infrastructure and operational gaps and plug them. We discovered that the student dropout rate in Andhra Pradesh was on the rise in some schools. This was due to a haphazard mid-day meal service owing to lack of utensils. We supplied stainless steel plates, glasses and other utensils to schools and thereby facilitated the effective implementation of the Government's mid-day meal scheme.

DISASTER RELIEF

Dr. Reddy's played an active part in providing relief to the flood victims of Andhra Pradesh, India. Health camps were organised to provide immediate health services to the needy. We also made available free treatment, essential medicines and technical advisers, whereas DRF carried out community mobilisation and camp management activities. In a week-long operation from 13th to 19th October 2009, close to 5,800 patients from over 30,000 families were treated in 38 villages and 21 urban slums. The Company also made a contribution of INR 10 million to the Chief Minister's Relief Fund and employees based in India contributed a day's basic salary towards the cause.

AROUND THE WORLD

Our commitment to care for community transcends boundaries. We believe that it is our duty to go beyond just setting up economic engines in the regions in which we operate. It is our goal to integrate with the community and establish social transformation engines. We keenly observe a nation's social fabric and leverage our core competencies to accelerate change and make a difference.

Germany

Through betainstitut supported by betapharm, Dr. Reddy's German subsidiary conducts a range of programmes which serve children, cancer and stroke patients, doctors and healthcare workers.

Romania

Similar in concept to the 'Power of 10™', 'Power of 20™' is also an employee giving programme. Employees contribute an amount in multiples of INR 20 from their salary to support 'Young People in Transition', a project aimed at preventing the street children phenomenon, and assisting youngsters brought up in foster care.

North America

The North American operations of Dr. Reddy's recently launched a community service programme that encourages employee volunteering at all levels. The NA Generics IT and HR teams have initiated two inspiring projects as part of the programme. The IT team donated computers to the Pilgrim's Inn located in Rock Hill, South Carolina. The HR team hosted free nutritious meals for the needy through Elijah's Promise Soup Kitchen in New Brunswick, NJ.

UK

- Dr. Reddy's - UK has a continuing relationship with IHP (International Health Partners) and has been providing medicines for 'Doctor Packs' since 2006. Each pack contains more than 50 essential medicines, and can be used during natural calamities and medical emergencies across the globe.
- A portion of the land at Dr. Reddy's Mirfield plant, UK, has been allotted to a local charity organisation, which provides recreational facilities to disabled children.



Dr. Reddy's Foundation (DRF)



Set up in 1996, Dr. Reddy's Foundation is a social arm of Dr. Reddy's Laboratories. DRF plays the role of a catalyst in bridging the gap between potential and opportunity through consistent and innovative interventions broadly divided into two sectors: Livelihoods and Education

LIVELIHOODS

DRF's livelihood programmes continued to gain traction with higher enrolment, new curriculum and more corporate partnerships.

ONGOING PROGRAMMES



Livelihood Advancement Business School, an ongoing programme of DRF, that empowers minimally skilled youth to gain a foothold in the competitive job market, has till date trained more than 200,000 youth.

In FY 2009-2010, a total of 20,820 livelihoods were generated through various corporate and government partnerships. A total income of over INR 611 million was generated.

Till date the impact of LABS has touched more than 200,000 youth.

Skilling Rural India (SRI)

A programme under the Rural Livelihoods Initiative, Skilling Rural India (SRI) aims to promote skill development among rural youth to gain employment in the growing economies of small towns in India.

Spurred by the success of its pilot project, DRF has entered into collaborative projects with other corporate organisations to scale up the SRI programme. The programme now works towards training and placing more than 1,000 youth from the communities in the vicinity of the plants and mines of the partner corporate organisation. DRF has also tied up with Government of Andhra Pradesh to train 1,100 youth from some of the most impoverished villages of Andhra Pradesh.



New Programme Launches

Programme for Prisoners

To enhance the employability of convicts and help them reintegrate into society after their release, DRF launched the 'Prisoners Programme' which provides technical skills in two domains - automobile mechanism and refrigeration and air conditioning. A three-month programme was conducted in Charlapally Jail in Hyderabad for 50 prisoners.

MoU with NASSCOM Foundation

DRF signed an MoU with NASSCOM Foundation and Accenture to train NASSCOM Knowledge Network Partners and associated NGOs who work in similar areas of operations to support these teams in terms of process, curriculum and content, life skills and other operational issues.

Programme for Home Managers

A comprehensive 30-day module covering life skills, housekeeping, first aid, cooking, child and elderly care along with practical training was provided to 32 unemployed girls and women to help them become home managers.



EDUCATION

Over the years, DRF has instituted various education programmes that cater to demographically diverse groups of society. During the reporting period, most of the initiatives gained impetus and broadened their footprint by inducting more students and enhancing their reach through the establishment of additional centres. A snapshot of such initiatives include:

- Six new Yuva Youth Learning Centres were established with four teachers in each centre.
- 17 non-residential bridge centres, with a total strength of 38 teachers, provided education to 575 students. Another 360 students were taught by 20 teachers at four residential bridge centres.
- Four Pudami Neighbourhood Schools set up in Hyderabad and Ranga Reddy districts imparted education to a combined strength of over 1,400 children drawn from all sections of the society.



- 29 Pudami English Primaries (nursery to class five) in Hyderabad and Ranga Reddy districts in Andhra Pradesh served a combined strength of 4,700 students (2,491 pre-primary and 2,209 primary) through 238 teachers.
- The Kallam Anji Reddy Vidyalaya at Hyderabad provides education to about 1,200 students in both English and Telugu.
- Kallam Anji Reddy Vocational Junior College at Hyderabad offered intermediate level two-year vocational courses to 450 students in five diverse disciplines like automobile technology, computer graphics and animation, etc.
- 10 Early Childhood Care & Education (ECCE) centres funded by World Bank and 20 ECCE centres supported by Sarva Shiksha Abhiyan (SSA), a Government of India initiative, helped 1,340 children with the assistance of 15 teachers and 10 assistant teachers.
- Bridge School at Juvenile Home For Girls got inaugurated in January 2010, at Nimboliadda, Hyderabad. The school campus houses close to 84 girls.

Dr. Reddy's Foundation for Health Education (DRFHE)



DRFHE programmes aim to equip medical support professionals with the necessary capabilities and soft skills to strengthen the healthcare delivery system for better patient care.

Education Initiatives

Post Graduate Diploma in Healthcare Management (PGDHM)

The seventh batch of Post Graduate Diploma in Healthcare Management (PGDHM) commenced in July 2009 with 16 students.

Certificate Programme in Cancer Counseling

15 candidates were trained in three programmes in Cancer counselling and were placed as 'Case Managers' under leading Oncologists across India.

Training Initiatives

Abhilasha

148 programmes were conducted benefiting 3,800 nurses.

Sarathi

60 programmes were conducted to train 1,474 doctor's assistants.

Inner Circle

53 programmes were conducted in FY 2009-10, benefiting 1,809 doctors.

Sanjeevani

42 programmes were conducted benefiting 672 pharmacists.



Patient Initiatives

Living Well

In partnership with the "Art of Living", this programme, aims to help people reduce risk factors and increase their resistance levels through awareness and lifestyle modification. Seven programmes were conducted during FY 2009-10, and benefitted 70 patients.

DRF-LABS

DRFHE has also collaborated with DRF-LABS programme to provide livelihood to one member of a family where the earning member has been a victim of cancer. During the year, in addition to Hyderabad, this service was also launched in Bengaluru, Mumbai, Bhopal, Jabalpur, Kolkata, Cochin and Coimbatore, benefiting 2,048 cancer patients.

Life At Your Doorstep (LAYD)

Based on the 'Home Care' aspect of Palliative Care, this initiative aims to improve the quality of life for terminally ill patients by providing access to physical, psychological, emotional, social and spiritual support in an appropriate manner. A well-equipped medical van with a team consisting of a doctor, a nurse and a patient counselor goes to the patient's doorstep to provide home-care service.





Empowerment beyond employment

Mentoring beyond preaching

Commitment beyond compliance

Well-being beyond philanthropy

Best practices beyond old habits

Invention beyond convention

Listening beyond hearing

Excellence beyond competition



L I F E . R E S E A R C H . H O P E

Dr. Reddy's Laboratories Ltd.

Greenlands, Ameerpet, Hyderabad 500 016, India.
www.drreddys.com

To view the complete report, please visit:
www.drreddys.com/sustainability