

# SRD

## SUSTAINABILITY BY DESIGN



AVAILABILITY



PRODUCTIVITY



QUALITY



PEOPLE



SAFETY



ENVIRONMENT



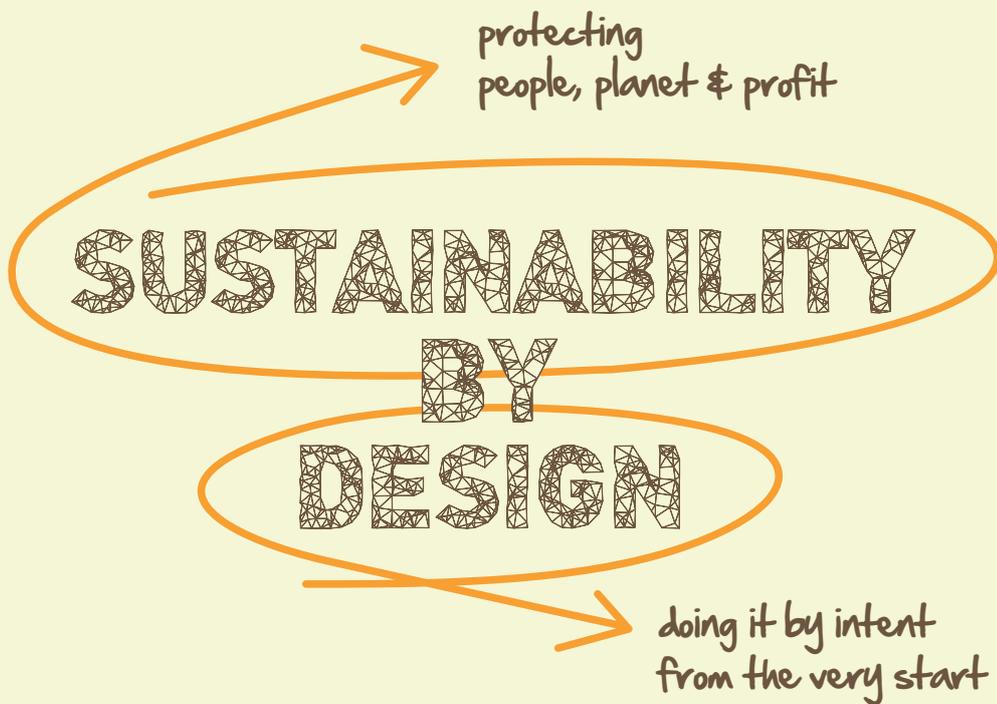
COMMUNITY



ENGINEERING EXCELLENCE



CONTINUOUS IMPROVEMENT

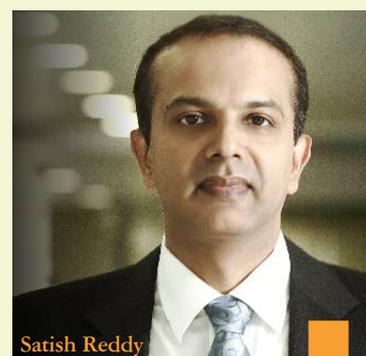
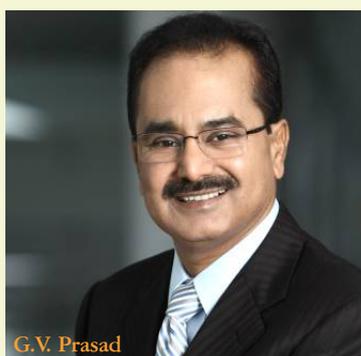
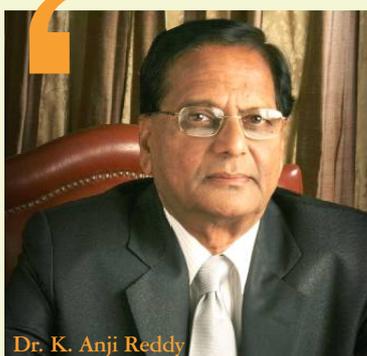


### **Sustainability Approach**

Sustainability is deep-seated in the ethos of Dr. Reddy's. Our consistent efforts to integrate sustainability into all our activities right from discovery to dispatch, is helping us add value across the environmental, social, cultural, and economic bottom-lines and create long-term consumer, shareholder and employee value.

We are committed to high standards of governance and ensure national and international compliance in letter and spirit. We also regularly engage with our key stakeholders, systematically and proactively to address concerns and integrate varied perspectives.

## Executive Speak



Dear Stakeholder,

We had a spate of unfortunate safety related incidents resulting in multiple fatalities in our manufacturing operations between Oct '10 and Sep '11. This stopped us right in our tracks and had us staring at some uncomfortable truths about the way we managed safety and our operations as a whole. As much as we wanted to continue our growth journey, we needed to step back, reflect and course correct.

It was not the time to talk about performance but to actually change the way we perform. We put our sustainability reporting on pause for a year and focused our energies on holistically transforming our operations and building a platform for taking manufacturing to the 21<sup>st</sup> century.

Our first port of call was safety. In collaboration with DuPont, we seeded 'Parivartan', a program to mainstream a new safety paradigm across the organization. The intent was to achieve a complete Safety Culture Transformation by embedding felt leadership, line management ownership, mechanization and capability building.

Along with Safety, we identified and focused on eight other pillars of sustainable operations – People, Quality, Availability, Environment, Community, Engineering Excellence, Productivity and Continuous Improvement.

Some of the key initiatives being implemented under these pillars include 'Quality by Design (QbD)' as the way of work; implementing the Self Managed Teams (SMT) initiative to enable a strong presence of ownership at operations; applying the principles of 'Theory of Constraints (ToC)' to eliminate organizational constraints and move to a position where the market is the only constraint; and embracing PACE (Program to Achieve Cost and Capabilities Excellence), an initiative that pursues excellence in cost and capabilities.

Working in conjunction with the nine pillar framework and providing traction to holistic transformation effort, are two prime cogs – simplification and reconfiguration.

We are reconfiguring our manufacturing network to align with specific markets and our processes so as to make them more environment-friendly. We are also reconfiguring our product mix to amplify our focus on complex high value molecules and we are reconfiguring our social thrust to reinforce in-facility and around facility interventions.

Simplification is a sieve we are administering on every facility and function. The exercise is yielding multiple benefits. On one hand it is making processes more efficient and enhancing quality. It is also eliminating unproductive activities and thereby reducing wastage of human effort and raw materials. On the other hand simplification is freeing up management bandwidth and thereby allowing us to intensify our focus on things that matter like deeper engagement with customers, availability and several other aspects.

The transformation we have undertaken is not just uni-dimensional or two-dimensional; but holistic, integrated and unified. Today, the organization has greater clarity on what we want to do and how it has to be done. It is a journey. And we are aware; it's not an easy one. But once we achieve this transformation, we will be able to set new benchmarks on Safety, Quality, Availability and Productivity and address emerging challenges such as environmental and social pressures from stakeholders, cost pressures from Europe, the looming patent cliff and the resultant intense competition.

We now believe we are back on track and detailed in our sustainability report are the initiatives, the rationale for undertaking them and the progress made over the last two years. We urge you all to read not only this synopsis but also study our comprehensive sustainability report by visiting [www.drreddys.com/aboutus/sustainability.html](http://www.drreddys.com/aboutus/sustainability.html) and share your views on what we are doing well and more importantly what we can do better.

Regards.

# Organization Profile



Dr. Reddy's Laboratories Limited is an integrated global pharmaceutical company committed to providing affordable and innovative medicines for healthier lives through its three core businesses:



**Pharmaceutical Services and Active Ingredients (PSAI)**



**Global Generics**



**Proprietary Products**

Our Manufacturing and Sales & Marketing Operations span around 20 countries. Our major markets include United States of America (USA), India, Russia and CIS, Germany, United Kingdom (UK), Venezuela, South Africa and Romania. We also reach out to patients in various other markets like Brazil, Mexico, Chile, Philippines, Middle East and North Africa through our strategic alliance with GlaxoSmithKline (GSK) for emerging markets.



Eight CTOs | 10 FTOs | One Biologics Center | Three Technology Development Centers  
Two Research & Development (R&D) Centers | One Integrated Product Development Facility

Commissioning of one CTO SEZ and FTO SEZ at Vizag is under progress

CTOs - Chemical Technical Operations | FTOs - Formulation Technical Operations

**Purpose**

We are committed to providing Affordable and Innovative medicines for healthier lives.

**Values**

- Integrity and Transparency • Safety
- Quality • Productivity • Sustainability
- Respect for the Individual
- Collaboration and Teamwork



## Corporate Governance

We place an unrelenting thrust on high standards of corporate governance – right from our Board of Directors and Management to the Employees:

### High Standards of Compliance

The first non-Japanese pharmaceutical company from Asia to be listed on the New York Stock Exchange (NYSE).

The first manufacturing company in India and one of the first in Asia to be Sarbanes-Oxley compliant.

### Practice by Principles

Robust internal control systems which are regularly reviewed by both external and internal auditors.

Code of Business Conduct and Ethics (COBE) which applies to every Director and employee, regardless of level or position and lays down the principles that guide our conduct.

### Sustainability by Top-down Approach

The concept of sustainability has been integrated into Dr. Reddy's core business processes at two levels:

- Corporate level, where overall policies and strategic direction are set and capital is allocated.
- Business Unit level which generates revenue and where the impact on communities and the environment is most immediate.

## Stakeholder Engagement

Be it the customers who rely on us for medicines or the employees who empower us with more productivity, be it the shareholders who invest in us their trust and hard-earned money or the community who supports us by sharing natural and human resources, at Dr. Reddy's we build lasting bonds with all our stakeholders, internal and external.

Our key stakeholders include:

 <b>Employees</b>	 <b>Investors &amp; Shareholders</b>	 <b>Society</b>	 <b>Customers &amp; Partners</b>
<p>The driving forces of the organization, our employees deserve a safe, inclusive and empowering workplace with freedom to act, innovate and grow not just as a professional but also as an individual.</p>	<p>Our investors and shareholders put trust and financial capital in the organization and expect a steady return on their investment.</p>	<p>Communities across the world that are being impacted by Dr. Reddy's and vice versa.</p> <p>Patients and healthcare professionals who rely on today's products and tomorrow's innovations.</p>	<p>Insurers, vendors, suppliers, distributors, government, regulators and business partners who add value to the organization in more ways than one and count on the ongoing collaboration with the company.</p>

## SIX ORGANIZATIONAL LEVEL SUSTAINABILITY FOCUS AREAS

Based on the stakeholder engagements and in consultation with our Management Council, we identified strategic issues which have high-impact potential on our business and / or are of high-interest value for our stakeholders.

Affordable & Innovative Medicines



Environmental Management & Climate Change



Being an Employer of Choice



Product Responsibility



Sustainable Sourcing



Caring for Communities



## NINE PILLARS OF SUSTAINABLE OPERATIONS

Over the years, our six sustainability focus areas have served as efficient guides for strategic decision making and are today well-ingrained concepts across the organization. We realized it was time to shift sustainability gears from strategic to operational and make sustainability parameters an integral part of daily, weekly and monthly targets.

Manufacturing operations emerged as an obvious first destination to commence our journey of 'operationalizing sustainability' as it has a significant impact on a majority of economic, environmental and social parameters.

We identified nine pillars of sustainable operations which resonate with the six overarching material issues and help translate our sustainability intentions into actions.



### AVAILABILITY

#### AVAILABILITY BY FLEXIBILITY

- Building flexibility by aligning our plants to markets and maintaining proximity with our vendors
- Adopting the concept of 'Theory of Constraints' (ToC) to reduce inventory and lead time
- Outsourcing partnership
- Derisking of supply via alternate vendor development
- Product rationalization



### SAFETY

#### SAFETY BY TRANSFORMATION

- Parivartan: A Safety culture transformation journey commenced in August, 2011 in consultation with DuPont with a commitment to achieve Zero incidents
- 8.36 hours of safety training per employee
- 114 mock drills and 228 fire drills to ensure emergency preparedness
- Conducted safety training for our Strategic Business Partners (SBPs)



### ENVIRONMENT

#### EFFICIENCY BY CHEMISTRY

- Carbon Adsorption Solvent Recovery System at FTO-3, Hyderabad
- 425 kl/d wastewater recycling facility at FTO-3
- CII water audit at CTO-5, Miryalguda with potential savings of 350 kl/d
- Rainwater harvesting system at FTO-3 with a potential to sequester 30,000 KL per annum
- Green corporate office - LEED certified gold-rated green building
- Solar power for lighting



## PRODUCTIVITY

### ABUNDANCE BY OPTIMIZATION

- Focus on four identified productivity streams: Manpower, Asset, Material and Process Productivity
- Implementation of PACE - our program to drive breakthrough performance and build capability through institutionalization of cost excellence
- Adopting Total Cost of Ownership (TCO) approach
- Reduced testing
- Creation of a 13-month wave to transform cost excellence ideas into action



## QUALITY

### ASSURANCE BY OWNERSHIP

- Focus on Quality by Design (QbD)
- Implementation of 'Quality Philosophy' and 'Quality Policy'
- Progressing from 'minimal errors' to 'no error', by switching from 'muscle power' to 'machine power'
- Systematic Quality Assurance - right from R&D to manufacturing
- Launch of QuEst (Quality Enhancement & Sustainability) - a collaborative forum for all our SBPs
- Going beyond regulatory audits, by encouraging our customers and business partners to inspect our units



## PEOPLE

### EMPOWERMENT BY RESPONSIBILITY

- 600 youth strong Self Managed Teams (SMTs)
- Cascading the SMT culture from green fields to brown fields plants
- Engaging the unionised workforce in the SMT program for the first time
- Elimination of manual work to uphold the dignity of labor
- Developing a Technical Training Centre to offer training in pharmaceutical process technology
- Propagation of skill based progression system



## COMMUNITY

### CO-OPERATION BY TRUST

- Contributing ₹ 12,694,564 towards education and health through 'Power of 10<sup>TM</sup>'
- Provision of scholarships for higher studies
- Disaster relief at Alladapalam village, Vizianagaram District, Andhra Pradesh
- Infrastructure development in communities near our facilities like construction of roads and drainage, renovation of hospitals and installation of Reverse Osmosis (RO) water plants
- Employee volunteering



## ENGINEERING EXCELLENCE

### EXCELLENCE BY STRATEGY

- Mechanization to ensure quality and efficacy of processes and products
- Lean Manufacturing to optimize resource consumption whilst ensuring quality
- Equipment standardization to facilitate scale up of all processes and harmonize Standard Operating Procedures (SOPs) across operations
- Predictive maintenance to go beyond preventive maintenance by identifying and addressing unplanned breakdowns



## CONTINUOUS IMPROVEMENT

### ACCELERATION BY PROGRESSION

- Embedding Continuous Improvement (CI) culture across safety, quality, environment, availability, productivity and people skill development
- Successful commencement of 150+ Continuous Improvement (CI) projects across FTOs
- Initiating Program SMART (Successful Management of Applied Research and Technology) to strengthen process development capabilities
- Established a Centre of Excellence (CoE) to create compliant, cost-effective and innovative equipment / infrastructure facilities

# Environmental Management and Climate Change

It is our constant endeavor to embed environmental sustainability right at the development stage. Hence, we prefer greening our laboratories first and our landscapes later and emphasize on atom efficiency as much as on energy efficiency.

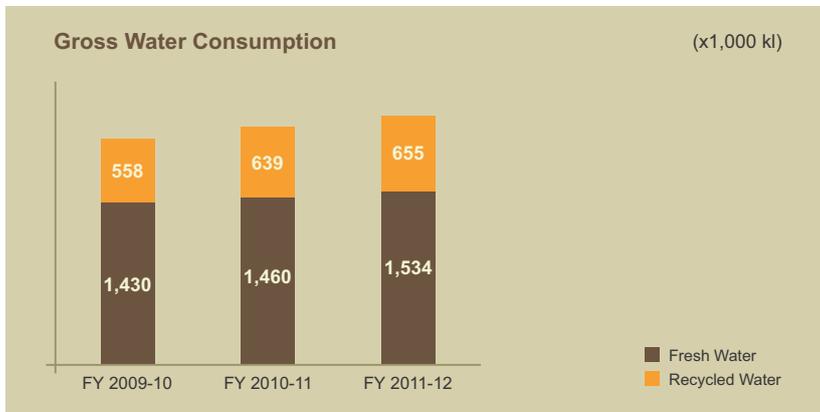
While our focus remained steadfast on all environmental parameters, the emphasis on key strategic imperatives like green chemistry, solvent recovery, waste reduction at source, water & energy audits, water harvesting & recycling grew stronger.

## Water

Dr. Reddy's has been a pioneer in water conservation. Our first wastewater recycling plant at our Chemical Manufacturing Facility at Peddavevulapally, Nalgonda, Andhra Pradesh commissioned in 2004-05, holds the distinction of being the first of its kind in the pharmaceutical sector in India.

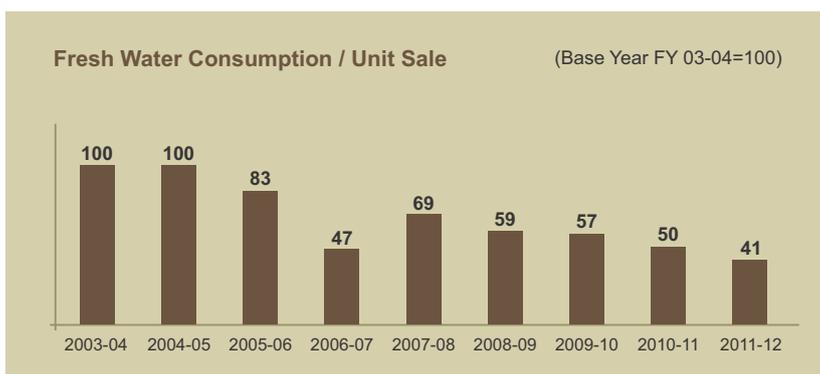


70% of our total water requirement is met through groundwater and the remaining 30% is met through recycled water.



At the end of the reporting period the gross water consumption increased by 10% as compared to 2009-10. This was mainly on account of increase in scale of operation.

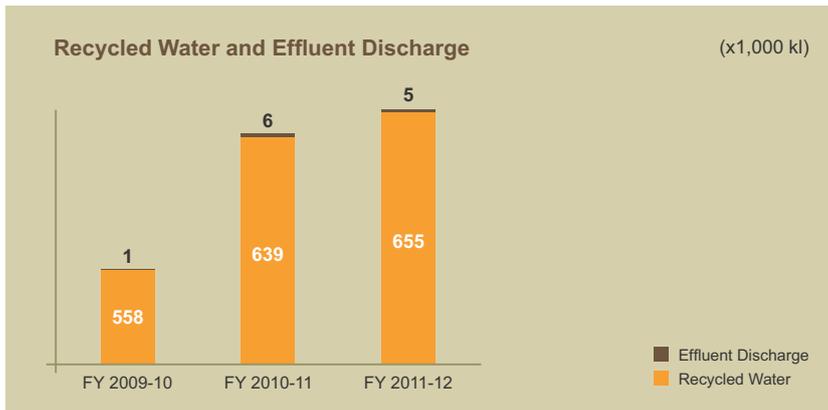
As against this the fresh water consumption increased only by 7% and the remaining was made up by increased usage of recycled water.



Our water consumption / unit sale marked a progressive improvement. When compared to the base year, the consumption has reduced by 60% in the reporting period.

## Wastewater Discharge

In 17 out of 19 facilities, 100% of treated effluents are recycled within the facilities for utilities or for gardening. For the remaining two facilities (Technology Development Center-1, Technology Development Center-2), primary treated effluent is sent to the authorized Common Effluent Treatment Plant (CETP) for further treatment and disposal.



During the reporting period 1,294,000 kl of wastewater was recycled and only 10,930 kl of primary treated effluent was discharged to the common effluent treatment facility.

### Future Plans:

Inspired by the potential of water savings after the water audit at CTO-5, detailed water audits will be carried out at CTO-6, Vizag and FTO-3. The existing effluent treatment facilities at FTO-1, Hyderabad and FTO-2, Hyderabad will be upgraded to increase recycling of treated effluents for boiler & cooling tower makeup.



### Energy

We at Dr. Reddy's remain energy conscious; at every step, every process and every product.

A wide array of energy conservation endeavors are in progress across the production life cycle. Our new plants are designed to be more energy efficient, while the existing ones are being upgraded to produce more for every watt consumed.

In the reporting period, a total of 92 energy conservation measures were initiated resulting in savings of 2.3 million kWh of electricity and ₹ 22.3 million in fuel savings.

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In 2011-12, 7% of our energy requirements were met by renewable energy. (agri waste briquettes)

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In FY 11-12, our energy consumption per unit sale registered a 39% decrease as compared to base year.

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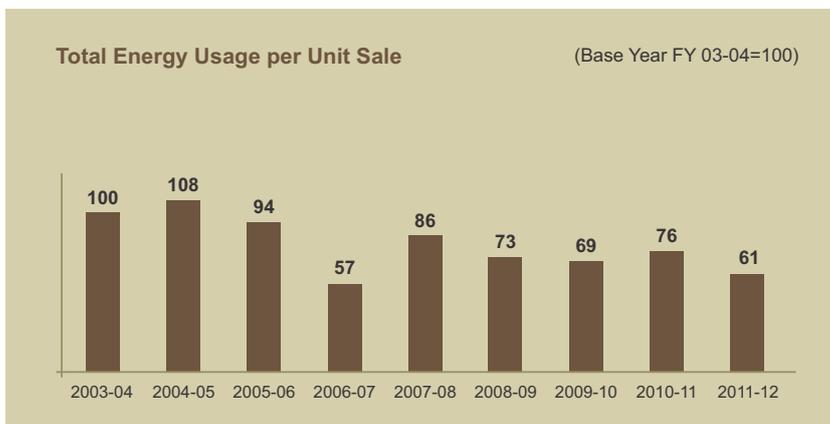
## Energy Conservation Highlights

Significant energy saving initiatives implemented at FTO-3, CTO-6, FTO-6, Baddi and FTO-8, Baddi

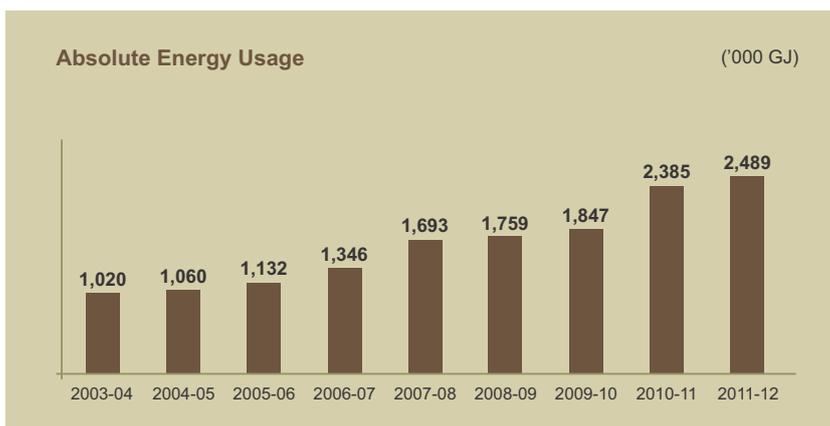
The new corporate office of Dr. Reddy's is a LEED certified gold-rated Green Building

4 kW solar power plant at the Ameerpet Corporate Office, Hyderabad

Coal is replaced with agri waste briquettes for boilers at CTO-1, Hyderabad & CTO-4, Hyderabad



Be it investing in alternative fuel, conducting energy audits or introducing 360° power management systems, a wide array of energy conservation endeavors are in progress.



The absolute energy consumption increased by 29% in FY 2010-11. While there was only a 4% increase in FY 2011-12, this increase is largely attributable to increased scale of operations.

## Future Plans:

Going ahead, plans are in place to have standby boiler to existing FO (Furnace Oil) fired boiler with agri waste briquette as fuel at FTO-3. The SEZ (Special Economic Zone) CDM (Clean Development Mechanism) project will also be validated and registered at UNFCCC (United Nations Framework Convention on Climate Change) in the next financial year.



Energy efficiency is not just ecologically sustainable but also economically profitable and fulfills our larger purpose of supplying affordable medicines to the world.

## Greenhouse Gas (GHG) Inventorization

We are conscious of the fact that 'if more energy goes around, more emissions come around'. Hence, we strive to recreate and redefine processes that help us tread lightly.

### GHG Accounting

While our absolute GHG (Greenhouse Gas) emissions posted an increase of 31% in FY 2010-11 vis-à-vis FY 2009-10, we held it back to less than 1% increase in FY 2011-12. Our GHG emissions per unit sale (Metric Ton CO<sub>2</sub>e / INR million sales), registered an increase of 12% in FY 2010-11 as compared to the last reporting period but recorded a 22% decrease in FY 2011-12 as compared to FY 2010-11.



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## Waste

We recycled 52% of total waste generated and the rest was sent to secured landfill / off site incineration.

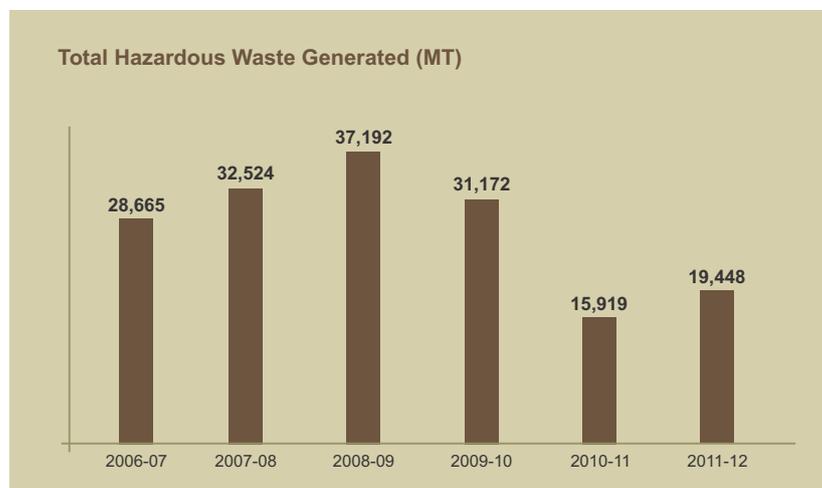
During the reporting period, 80% of the organic waste generated was sent to cement plants for recycling as auxiliary fuel instead of offsite incineration. This was a significant milestone as organic waste comprises 30% of our total hazardous waste generated.

During FY 2010-11, the total quantity of hazardous waste disposed was 12,339 tons, a reduction of 5% over FY 2009-10. Our hazardous waste disposal increased to 14,066 tons in 2011-12 as TSDF (Treatment Storage and Disposal Facility) was not operational for quite some time in 2010-11 and hazardous waste was stored at CTO-6 and later disposed in 2011-12.

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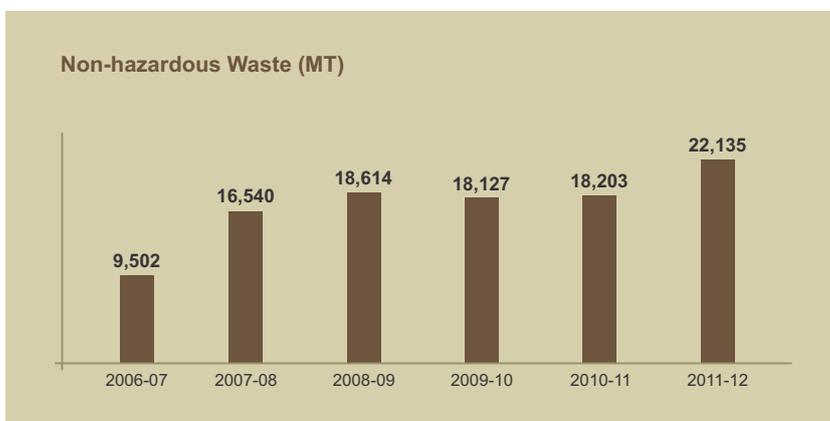
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While safe and responsible disposal of solvents is our priority, our primary aim is to minimize their usage through green chemistry and to maximize their reuse through recovery systems.

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Currently the pharmaceutical industry produces 25-100 kg waste for one kilogram of product. At Dr. Reddy's, we are in the process of setting an industry benchmark of reducing the waste to 20-25 kg per kilogram of product.



In FY 2011-12, the non-hazardous waste witnessed a rise of 22% vis-à-vis FY 2010-11 due to enhanced production. However, all the non-hazardous waste generated was recycled.

### Future Plans:

Our R&D efforts will focus on embedding Green Chemistry principles during design and development of processes to reduce hazardous waste generation at source. Efforts are on to dispose off the off-spec drugs and expired medicine to cement industry for use as auxiliary fuel. Plans are also in progress to install sludge dewatering equipment to reduce volume for better handling and reduce disposal cost at FTO-3.



## Green Chemistry

Dr. Reddy's remains at the forefront of developing products which enhance the health of the people and sustain the health of the planet. In the reporting period, we made significant strides in various spheres of Green Chemistry & Engineering (GCE).

### 1 Leading by Eco Chemistry

We are the world's first generic pharmaceutical company to become a member of ACS-GCI (American Chemical Society-Green Chemistry Institute).

In the reporting period, we participated in the NIH (National Institutes of Health) grant review, co-created the Green Reagent Guide, developed the Solvent Guide and contributed to green chemistry articles published in OPRD (Organic Process Research & Development).

### 2 Green Chemistry at Work

The use of volatile solvents such as Dichloromethane, Acetone, Ethers, etc. and other hazardous chemicals has been completely discouraged. Till date, a number of new products have been developed without the use of these solvents.

Projects are being monitored for application of Green Chemistry & Engineering elements in Active Pharma Ingredients (API) Development regularly.



### 3 Process Equipment Standardization

Our Integrated Product Development Organization (IPDO) has implemented a Process Equipment Standardization (PES) approach. Lesser failures during scale up and commercialization are the tangible benefits of this concept.

Going ahead, we plan to deploy advanced software to further boost our understanding and make more reliable predictions of processes. A broader goal of integrating this concept within all CTOs is slated to be taken up in the later phase of the implementation.

### 4 Development of Green Metrics

To simplify and systemize the application of GCE, we designed a set of green chemistry and engineering metrics that allows us to zero in on the optimal route(s) considering the various aspects like mass efficiency, effluent generated, use of hazardous materials etc.

Based upon the understanding of these criteria, four key indices are monitored: Atom Efficiency, E-factor, Reaction Mass Intensity and Energy Efficiency. These parameters are tracked for each product throughout the developmental cycle of API.

Green Chemistry plays a significant role not only in improving the safety, health and environmental performance of an organization but also offers a distinctive business advantage via resource optimization, energy conservation and operational excellence.

## Roadmap to Greener Future - Our Commitment to the Environment

We have instituted an organization-wide environmental roadmap, charting ambitious targets and actionable steps across the green sphere of our performance parameters.

The performance in the reporting period was mixed. While we did well in water recycling and use of renewable energy, we still have a long way to go towards our commitment of replenishing the water table.



Performance Target from Environmental Commitment Statement	Status	Remarks / Way forward
Aim at reducing our specific consumption of energy by about 5% every year so as to achieve a 40% reduction by year 2020.	●	Initiated energy conservation measures at FTO-3, FTO-6 and FTO-8. Similar initiatives will be implemented in other facilities in next financial year in partnership with Honeywell.
Strive to increase the percentage share of renewable energy in our total energy consumption by 2.5% every year over next ten years, such that renewable energy share reaches 25% by year 2020.	●	During the reporting period 7% of total energy consumed was from renewable sources, mainly due to agri waste briquette fired boilers in CTO-1 and CTO-4. Going forward, we are planning to install rooftop solar power plants at CTO-FTO SEZ and Bachupally campus and will also go in for agri waste based boilers in some plants.
Aim at reducing our specific water consumption of water by about 5% every year over the next ten years so as to achieve a 40% reduction by year 2020.	●	Recycling of treated water resulted in reduction in freshwater consumption. Two more Waste Water Recycling Facilities (WWRFs) are being planned at FTO-1 and FTO-2.
Strive to become water neutral by year 2020 by replenishing the water table with an amount of water equal to what we consume, using means such as water harvesting.	●	Rainwater harvesting at FTO-3 is a major milestone. Next year similar harvesting systems are planned at CTO-5 and SEZ (Special Economic Zone), Vizag.
Attempt to reduce our specific generation of hazardous waste.	●	Though there was good progress, we missed this target due to increased sludge volumes at FTO-3 WWRF. Going forward, sludge dewatering equipment are planned for better handling of sludge at FTO-3.
Reduce the quantum of hazardous waste sent by us to landfill / incineration by about 5% every year over next ten years so as to achieve a 40% reduction by year 2020.	●	80% of total organic hazardous waste generated is recycled in cement industry as auxiliary fuel. Similar kind of disposal options for market returned goods at FTOs are being planned.

- Specific consumption is based on per unit production for manufacturing plants and per employee foot fall for R&D units.
- Water Neutral: Sequester rainwater equivalent to fresh groundwater withdrawal
- Status Legend: ● Annual Target achieved ● Work in progress ● Target not achieved

## Environmental Conservation in Action

Round the year we championed several green endeavors to cover each key environmental performance indicator. Below is a snapshot of some of our key initiatives towards energy, water, and waste management:

### Enhanced Energy Efficiency at FTO-3

The FTO-3 plant accounted for 51% and 22% of Dr. Reddy's overall consumption of furnace oil and electricity respectively in FY 09. We realized that there was a significant opportunity to rationalize this usage.

We hence partnered with the energy contracting wing of Honeywell to conduct a comprehensive study on energy performance in FTO-3 and to come up with strategic conservation measures. Following detailed engineering by Dr. Reddy's and Honeywell teams, four state-of-the-art conservation measures were implemented:

Hot Water Generation by Heat Pump

Heat Of Compression (HOC) Dryer in Air Compressors

Optimization of Chilled Water Pumps

Optimization of Condenser Water Pumps



These four comprehensive measures arrested significant energy consumption. The potential energy savings that will be accrued every year are 1,445,584 kWh of electricity and 1,463 kl of furnace oil which equals to monetary savings of ₹ 76,007,108.

### Solvent Management

While safe and responsible disposal of solvents is our priority, our primary aim is to minimize their usage through green chemistry and to maximize their reuse through recovery systems.



### Our key waste management initiatives:

- 1 40-45% reduction in the consumption of fresh solvents
- 2 6,871 MT of recovered high purity salt was sent to micronutrient manufacturers
- 3 8,963 MT of organic residue was disposed as auxiliary fuel to cement plants, a 100% increase over last year's alternate disposal
- 4 A solvent recovery of 70-80% was achieved
- 5 The use of MDC (Methylene Dichloride) and chloroform in the new products developed by our IPDO (Integrated Product Development Organization) and in existing products was significantly restricted

## 3Rs of Water Management

### Reduce

A detailed water audit was conducted in CTO-5. Nine water saving opportunities were identified with potential savings of 350 kl/d.

Installation of air cooled chillers to reduce cooling tower makeup water requirements.

Online monitoring system for boilers to optimize blow down quantities.



### Recycle

The Zero Liquid Discharge Plant (ZLDP) at FTO-3 is now fully operational. A new RO based recycle plant was commissioned in FTO-6 taking the tally to seven ZLDPs since 2005.

A new RO plant installed to treat non-process waste at CTO-1 and CTO-4, reducing effluent load of 70 kl/d on WWRF.



### Replenish

At FTO-3, a rainwater harvesting system was commissioned to restore the natural water cycle to sequester - 30,000 kl of rainwater / annum, an equivalent of 15% of the fresh water consumption.

Installed new rainwater harvesting system at CTO-3, Hyderabad.



## Caring for Communities

At Dr. Reddy's, demonstrated positive action and consistent engagement are the two tools we use to build and reinforce trust between us and the community. We touch multiple lives in multiple ways through our interventions at the national and local levels. We leverage our expertise and resources to enhance patient care, change the paradigms of rural education, uplift the health quotient of the underprivileged sections and make quality medication affordable.



National level initiatives are undertaken through Dr. Reddy's Foundation (DRF) - our non-profit arm which brings the rigour of business to the formulation and execution of social projects. DRF builds, tests and pilots novel programs. Once successful, this tried and tested model is scaled up through government and / or private partnerships.



Local initiatives are driven by the immediate and long-term needs of the local community and are undertaken by individual facilities. In recent years, a significant surge has been witnessed in these local initiatives which include supporting education, employee volunteering, health camps, disaster relief and infrastructure development.

### Patient Care Initiatives

Our patient care initiatives are geared towards making life more comfortable for patients - financially, physically as well as emotionally. A key focus area is cancer care and we have well thought out initiatives which address every facet of the patient care sphere. Mentioned below is a glimpse of initiatives that we undertake round the year.

#### Cancer Care

##### Sparsh

An initiative to help underprivileged cancer patients by making cancer treatment more accessible.



##### Lymphoma Awareness Campaign

An interactive radio campaign across India wherein eminent oncologists addressed listener queries on Lymphoma - a difficult cancer to detect.

##### EGFR FIRST

A unique diagnostic support initiative, wherein we subsidize the cost of the diagnosis for Non-Small Cell Lung Cancer (NSCLC) patients. The initiative has benefited around 400 patients till date.

##### Smart Women

A special campaign to encourage self-examination and early detection of breast cancer by providing screening camps and subsidized mammography tests.



##### PromOTE India

Over 130 programs have been hosted helping 14,000 primary care physicians to understand the importance of early diagnosis.



##### Disha

A diagnostic support program that propels accessibility of Reditux<sup>TM</sup> therapy for lymphoma patients. In the last two years, 1,391 patients have benefited.



EGFR - Epidermal Growth Factor Receptor

## Lifestyle Diseases

### Healthy Beats

An initiative where we conduct door-to-door screening of people in rural areas for lifestyle diseases and provide counseling for prevention, treatment and rehabilitation.



## Chronic Kidney Disease (CKD)

### Aashayein

Over 300 CKD patients in Hyderabad were counseled by leading nephrologists on healthy lifestyle, dialysis and disease management.



### CHEER

(Committed to Help Educated and Encourage Renal)

Patients are given regular inputs on appropriate dietary habits, positive lifestyle and stress management to help them lead a cheerful life.



## Health Camps

### Eye Camps

2,625 school children benefited from the free eye check-up camps that provided free medicines, spectacles and nutritional supplements.



### Blood Donation Camps

Several blood donation camps were held throughout the reporting period, helping the patients get a new lease of life.



### General Check-up Camp

Over 600 participants benefited from the free health camp that hosted check-up in fields like orthopedic, gynecological, dental and ENT.



Dr. Reddy's Foundation (DRF), the non-profit arm of Dr. Reddy's Laboratories, has been successfully playing the role of a change agent in the social sector, by identifying and pursuing new opportunities to serve the community.

DRF focuses on two core areas to seed and nurture large-scale sustainable change: **Livelihoods | Education**

## Livelihoods

**L A B S**  
The Livelihood Advancement  
Business School

Livelihood Advancement Business School (LABS) programs are developed for youth who have limited opportunities and inadequate skill sets. The program helps them to gain a foothold in today's competitive job market.



Currently DRF operates 112 LABS centers across 21 states in India. In the last two years, 52,162 aspirants were trained taking the cumulative total till date to 252,161 trained youth. The average starting salary of a LABS graduate is ₹ 4,400.

We continually add disciplines and upgrade and innovate the course structure of these programs to impart maximum benefit to the participants. One new LABS was added to the fold in the reporting year: F-LABS and a self-sufficient model of LABS was also introduced.

### F-LABS (LABS for Farmers)

F-LABS is a systematic program designed to help the small and marginal farmers to adopt more ecologically sustainable and economically viable method of farming.



### A New Sustainable Model of LABS

Until very recently, the LABS program was free of cost for the youth and was driven by grants received from parent company - Dr. Reddy's, various government departments at Central and State level, multinational Non-governmental Organizations (NGOs) and other corporates. DRF has now moved to a social business approach where aspirants also contribute to the program costs, shifting the dependency from grants to market forces that would make the program self-sufficient and sustainable, enabling it to reach many more locations and more youth.



### SRI (Skilling Rural India)

With an aim of upgrading the skill of rural youth, DRF launched Skilling Rural India (SRI) in 2011. This is a life skills training program for rural youth to help them gain skills which translate into employment within the rural milieu. Over and above technical training, the SRI training module also comprises life skills training.



SRI program outreach till FY 2012:

20 districts of Andhra Pradesh | 5,598 underprivileged youths benefited

## Education

We work through a well-woven fabric of stakeholders, communities, official institutions and schools to encompass children from all walks of life and to introduce as well as mainstream them in education. In 2011-12, DRF reached out to 12,000 children through its various education programs. Below are a select few.



### Pudami Neighbourhood Schools and English Primaries

This is a novel initiative by DRF to bring quality English-medium education to the children of marginalized / lower-income communities. DRF has set up 27 Pudami English Primaries in Hyderabad and Ranga Reddy District, Andhra Pradesh. In FY 2011-12, 10,000 children were benefited, covering 175 communities in the vicinity of Hyderabad.

### Kallam Anji Reddy Vidyalaya (KARV)

A co-education school, it has progressed steadily in the past years with 1,200 students being educated in FY 2010-11 and about 100 pupils being added in FY 2011-12. In 2011, 'Sambaram Gurukula Pathasala' was started at the Kallam Anji Reddy Vidyalaya campus. The Pathasala, is a residential school for street children, homeless children and also for children without adult protection.



### Education Resource Center (ERC)

ERC is the trusted resource pool which supports Kallam Anji Reddy Vidyalaya (KARV) and Pudami Schools. It provides them with academic planning, curriculum, aids for educating teachers and other mechanisms for academic support. In FY 2011-12, ERC trained 400 teachers for 100 hours.



### Yuva Youth Learning Centers

Reinstates dropouts and working children residing in urban slums back into mainstream education. From 2010-12, two more centers were established, with a total strength of 145 youth.

### Non-Residential Bridge Centers (NRBCS) and Residential Bridge Centers (RBCS)

These centers have been home to numerous children who have run away from home, been forced into child labor or have been rescued from inconsiderate parents. During the reporting period, mainstream education was provided for over 575 students and residential facilities were provided for over 145 students.

### Early Childhood Care & Education Center (ECCE)

10 ECCE centers, funded by the World Bank, cared for over 500 migrant children between 0-5 years from construction sites in urban Hyderabad in FY 2011 and FY 2012.



### Juvenile Home for Girls and Boys at Hyderabad

90 girls and 150 boys were hosted in these homes in FY 2011 and FY 2012.

Dr. Reddy's Foundation for Health Education (DRFHE) was instituted with the primary objective of improving patient care and thereby complementing and adding value to the existing healthcare system. DRFHE works in collaboration with the medical fraternity to facilitate an integrated multidisciplinary approach to good health.

In the reporting period, multiple programs were conducted to bring about a transformation in patient care.



## Training Programs

### Abhilasha

A program to help nurses understand the true importance of their work, showing them how they can perform their work more effectively, and boosting their self-confidence and motivation. 853 programs were conducted covering 22,058 nurses.



abhilasha

Sarathi  
Sharper, smarter assistant!

### Sarathi

A comprehensive training program that enables a doctor's assistant to emerge as a sharper, smarter and a motivated individual. 238 programs enhanced the skills of 6,083 physician's assistants.



Recognized by Osmania University, Hyderabad, Post Graduate Diploma in Healthcare Management (PGDHM) enables an applicant to be a patient educator - a combination of a patient counselor, health educator and a physician's associate.

### Inner Circle

A program for young doctors (Post Graduates), it aims to develop in them patient-handling skills such as listening and effective communication required for the development of a successful career as a physician. 111 programs were conducted which witnessed participation of 2,514 young doctors.

### Sanjeevani

A program introduced with the objective to ensure that pharmacists develop self-confidence, empathy towards their customers, and overall improve the skills they require to do effective prescription dispensation. 118 programs were held which saw 3,297 pharmacists improve various skills required in effective prescription dispensation.



### Aakriti

A program designed for dental doctors, it covers interpersonal skills needed for management of staff and patients. 102 programs were held which saw 3,052 dental doctors sharpen their skills.

### Disaster Preparedness Workshop

Structured for hospital staff, this program is conducted in association with AmeriCares - India, Foundation and National Disaster Management Authority. 130 participants benefited from two workshops.

## Awareness Programs

### Awareness for Life

Aimed at spreading awareness about lifestyle diseases among corporate India, 407 programs helped 19,985 participants gain more in-depth knowledge about these diseases.

## Patient Initiatives

### Life at Your Doorstep (LAYD)

Focused on 'Palliative Care', LAYD works to improve the quality of life of terminally ill patients by addressing their physical, emotional, psychological, social and spiritual concerns. A well-equipped medical van with a team of doctor, nurse and patient counselor are dispatched to patient's doorstep to provide home care service. During FY 2011, this service extended its wings beyond Hyderabad and was launched in Bengaluru, Mumbai, Bhopal, Jabalpur, Kolkata, Cochin and Coimbatore benefiting over 2,700 cancer patients. During FY 2012 it benefited over 2,562 cancer patients.

### Aastha

This initiative aims to sensitize doctors and nurses to palliative care and increase their awareness levels. FY 2011 saw five programs reaching out to 214 people.

### Patient Story: Providing Solace and Dignity at the End

All was lost to Imtiaz Ali's family, when he was diagnosed with intestinal cancer at a tender age of four. His father, a daily wageer spent all his savings for his abdominal surgery. However, after a year, the cancer returned in a malignant form. His parents were emotionally shattered when it was clear that he would not survive. DRFHE's LAYD team gave the much needed emotional support to Imtiaz's parents and his last days were made as comfortable and peaceful as possible.

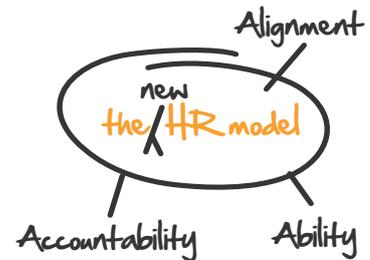
## Being an Employer of Choice

At Dr. Reddy's we operate by the principle that all team members know their tasks, roles and functions within the organization, and we let them do what they need to do to get the job done. We deepen their engagement with their job by giving them more responsibility and the commensurate authority to fulfil this responsibility.



We are committed towards ensuring the safety and well-being of our employees. During the reporting period, we embraced Safety as a core value and took multiple steps towards reinforcing the importance of safety into the DNA of the organization.

We also chalked out a new Human Resources (HR) model with three key focus areas - Alignment, Accountability and Ability. This new model enables us to constantly increase value for all our stakeholders - patients, customers, employees, shareholders and society.



## Safety Culture Transformation

2011 will be remembered at Dr. Reddy's as the year which brought about a transformation in our safety culture.

In FY 11, a total of 254 incidents were reported of which 18 resulted in 20 Lost Time Injuries (LTIs) including 6 fatalities. In FY 12, 397 incidents were reported of which 14 resulted in 17 Lost Time Injuries including three fatalities.

These incidents, though regrettable, have helped us emerge much stronger from the lessons learnt to focus on safety as a core value. This led us to do some deep introspection and served as a stark reminder to embed safety in our operations, and to plan and execute our operations responsibly. What we required was a holistic and strategic transformation in our safety culture rather than just some quick fix solutions.

### **PARIVARTAN**

#### **A Safety Culture Transformation Journey**

In August 2011, we embarked on project 'Parivartan' - a three year journey towards a complete safety culture transformation in partnership with DuPont, world leaders in safety management and consulting.

Project Parivartan has been designed in five comprehensive stages which gives us a clear roadmap to achieve sustained safety performance excellence, and move our organization to a level of safety culture, where each action is guided by safety principles and everyone owns the organization's commitment to safety.



From 'zero by chance' to 'zero by design', from 'reactive mindset' to 'proactive mindset', by putting the People first - at Dr. Reddy's we are transforming the paradigms of employee safety and well-being.

## The Roadmap

### 1 Containment Phase and Quick Wins

A governance and monitoring process was put in place to identify critical high risk activities & contain the risk by undertaking immediate actions.

### 2 Engaging Leadership & Line Organization

A series of engagement modules were pioneered to receive the leadership team's insights on safety as well as realign their commitment to safety.

### 3 Implementation of the Transformation through Integrated Safety Organization

An integrated safety organization has been designed to ensure consistent implementation of the roadmap through seven prioritized work streams.

### 4 Upgrading Safety Management Systems and Enhancing Competency

Expanding the role of Corporate Safety, Health and Environment (SHE) Management System to function as SHE Excellence Centre, building knowledge on safety across the organization through customized trainings, and enhancing competencies through structured and periodic coaching.

### 5 Operating Discipline for Sustained Performance

Development of systems and tools for effective implementation and monitoring of improvement in operating discipline right from the leadership level.



## Progress Made till FY 2012

A year down the journey, we are well on track to achieve the set milestones.

1

Around 3,000 Safety Field Audits (SFAs) were conducted under Risk Containment Phase with 13,500 observations of which 90% were mitigated or closed. To demonstrate Felt Leadership towards safety, SFAs were also conducted by the plant leader twice a month, by the Business Heads once a month and by the Chief Executive Officer (CEO) once a quarter.

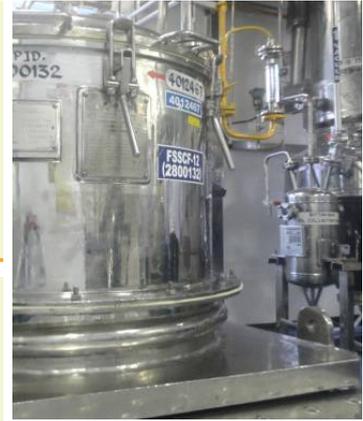
2

A Safety Perception Survey was conducted across all our India locations. The two week exercise witnessed 93% participation. Simultaneously a Safety Management Evaluation (SME) was carried out which threw up organizational strengths and opportunities for improvement.



3

'Mission Centrifuge' - a fire prevention drive was initiated, as part of 'fire & explosion' risk mitigation, which had been identified as one of the top five safety risk buckets. This mission encompassed around 400 centrifuges across CTOs. Various sources of sparks and leakages were identified and preventive actions were taken reducing the fire incidents dramatically.



4

Seven work streams were identified as areas of intervention to address the safety cultural transformation. These streams are led by the Senior Management and managed in harmony with the three tiered apex safety committees at the Corporate, Business Unit and Plant levels.

## Empowering Work Culture

We foster a culture that nurtures an atmosphere of encouragement, empowerment and team spirit through multiple initiatives.



### Self Managed Teams

In our manufacturing operations, we follow the concept of Self Managed Teams (SMTs). Being part of a SMT empowers employees to be confident decision-makers who add value to the project, instead of simply following orders. Guided by the special experts who provide minimum supervision, it has helped establish a supportive work environment. In this model, people are responsible, accountable and feel a sense of ownership.

### Cross Functional Teams

In our R&D operations, we follow the concept of CFTs (Cross Functional Teams) called PDTs (Product Development Teams) and PETs (Project Execution Teams). These teams comprise members from different functions possessing diverse expertise with a defined project charter and they are jointly accountable for delivery of results. These teams collaborate globally to achieve excellence in execution.

### Role Based Organization

In 2010, as a part of our organization renewal effort, we introduced the concept of 'Role Based Organization'. The objective is to create a better role-to-person fit which will result in a more engaged employee and thereby a more productive organization. In 2011, we crossed various milestones as we gradually transformed into a Role Based Organization with linkages to key HR processes getting formalized.

## Sustaining Talent

Hiring talented individuals is not enough, periodic enhancement of their competency in tune with the changing times and encouraging them with recognition and recreation is equally essential. At Dr. Reddy's, we have formulated a comprehensive talent management process.



### Attracting Talent

In 2011, there was a conscious effort at building diversity in the workforce. We hired around 900 employees across international locations. We also hired differently-abled employees in various roles. Almost 46% of the campus recruits were women.

In 2012, our offer-to-joining ratio reached up to 90.70%, a jump of 3% compared to the previous year.



### Developing Talent

We provide in-depth training based on the improvement areas identified during our rigorous talent review process.

In the last two years, a total of 9,197 man-days of training was provided.



## Nurturing Leadership

A variety of programs are conducted to sharpen the leadership skills of talent across cadres. For enhancing corporate leadership, programs such as Strategic Thinking Workshop, Executive Coaching, Leadership Transition Programs and Leaders Talk are conducted. For nurturing Business and Young Leadership, programs such as Enhance Your Performance, Communicating for Impact and Building Workplace Relationship are organized.



## Motivating Performers

We have different methods of 'Reward and Recognition' to acknowledge unique accomplishments and motivate employees to perform better. For outstanding contribution, the most prestigious organization-wide recognition is the Chairman's Excellence award.

Talent is also acknowledged at business unit level through various recognitions.



## Beyond Work

We blend work with play, celebrate achievements and occasions and provide platforms for employees to socialize among themselves. Many recreational activities are conducted like 'Celebrations - Dr. Reddy's annual event' which spark inclusiveness and ignite team spirit in the organization.



## Diversity Management

Dr. Reddy's is committed towards building a rich and diverse workforce. We regularly enhance this diversity by amplifying our global talent pool, inducting young and fresh talent, employing differently-abled individuals and enhancing the ratio of female employees.

Today, our global workforce comprises 15,000+ employees from over 25 nationalities. In 2011, we made a conscious effort to build diversity in the workforce by recruiting 46% women in our campus recruitments.

This diversity is also reflected at the highest level, where 30% members of our Board of Directors are foreign nationals.

## Employee Well-being

We continue with our policies of flexible work timings, sabbatical leave, part-time work, paternity & maternity leave as well as leave for those adopting a child. To ensure that our employees are well aware of these benefits a policy manual, called 'Enabling You', is available for ready reference on our intranet.

Employees are also provided with free medical check-ups as well as medical insurance. Besides employee healthcare, we also extend medical support to employees' family. 50% of our spend on medical insurance is towards our employees' parents, while 10% of the spend is dedicated to children, 25% to spouse and 15% to employees. Our health check-up facility is also available to the family at discounted rates.

# Sustainable Sourcing

From organizations that supply raw materials, to contract manufacturers who produce for us, to authorized business partners who dispose our effluents, we strive to embed good sustainability practices amongst all our business partners as every action of an individual has the potential to impact the sustainability of every other member in this symbiotic network.

We focus on three main aspects:

## Collaborative Sustainability



- Engaging with our business partners to create a collective knowledge pool which helps enhance our sustainability acuity as well as strengthens our partnerships.
- Cascading the Supplier Code Of Conduct and sharing safety best practices through project Parivartan.
- Implementing mandatory supplier induction training for all new vendors to sensitise them to our business processes and culture.

## Sustainable Logistics



- Focus on shifting vendors closer to the plant site. Switching over to sea shipments instead of air shipments.
- Implementation of ventilated trucks in domestic transportation to reduce temperature inside the container to maintain desired temperature level during transit. This has eliminated use of Reefer Vehicles (AC).
- Implementation of Tyvek cargo covers in collaboration with DuPont/Airlines to avoid temperature excursions during transfer of shipments at airport, transit hubs and at the end destination.

## Conservation of Resources



- Reducing solvent usage and enhancing its recovery.
- Cutting down on repeated testing of raw materials in cases with stable track records.
- Instituting 'Liquidation and Action Planning Cell' dedicated to monitor the inventory and drive activities around inventory disposal.
- Reduction of sample testing for raw materials that have demonstrated stable results and show no record of failure.
- Implementing several initiatives to promote environment-friendly computer systems.



Around 30-40% of our Supply Chain Management (SCM) team is dedicated towards ensuring the penetration of this safety culture among our suppliers.

We have achieved a shift of 30% sea shipments from 15% sea shipments previously.

# Affordable & Innovative Medicines

## Good Economics a must for Good Health

All our endeavors and activities are undertaken with a core objective of providing Affordable and Innovative Medicines (AIM). The pace, at which we achieve this objective, is essentially set by our financial performance. For FY 2012, the R&D spend was approx. 6% of our revenues. Going forward we expect this to be in the range of 6-8%. Hence, as our economic bottom line grows, our products become more innovative and our reach becomes wider.

The reporting period has been very positive for Dr. Reddy's. Starting off from FY 10 where our Net Profit stood at ₹ 9,214 million, FY 11 ended at ₹ 11,040 million and FY 12 showed an additional jump of 29% and closed at ₹ 14,262 million.

## A I M T I M E L I N E



In FY 12, 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.



Our efforts are geared towards introducing new products, ensuring that they remain competitively priced and expanding their availability across geographical markets to enable people to lead healthier lives.

2010

November

Introduced in the US, Zafirlukast, a generic version of Accolate® (AstraZeneca's product).



2010

December

Entered in an agreement with R-Pharm of Russia covering licensing and technology transfer from us, manufacturing and marketing of products in Russia and knowledge sharing for co-development of high technology products on a consistent basis.

2011

January

Launched in the US, Pantoprazole sodium delayed-release tablets, a bioequivalent generic version of Pfizer Inc.'s Protonix®.



Introduced in the US, Fexofenadine for prescription as well as over-the-counter sales.

2011

March

Launched in the US, Levocetirizine, a bioequivalent generic version of UCB's Xyzal®.



A penicillin-based antibiotics manufacturing site in Bristol, Tennessee, U.S.A was acquired from GSK as well as the product rights for GSK's Augmentin® (branded and generic) and Amoxil® brands of oral penicillin-based antibiotics.

Formed a tie-up with Coria Laboratories Limited (a subsidiary of Valeant Pharmaceuticals International, Inc.) for the right to manufacture, distribute and market Cloderm®, which is a cream used for the treatment of dermatological inflammation.



2011

September

Initiated clinical trials for dosing with DRL-17822 in patients with diagnosis of Type-II dyslipidaemia.

2011

October

Launched in the US, Olanzapine, the bioequivalent version of Eli Lilly's Zyprexa® in partnership with Teva Pharmaceutical.



2012

March

Introduced in the US, Ziprasidone hydrochloride capsules, a bioequivalent generic version of Pfizer's Geodon®.



Launched in the US, Quetiapine fumarate, a bioequivalent generic version of AstraZeneca's Seroquel®.

# Product Responsibility

Every day, our products make a difference in the lives of millions of patients around the world. They are the 'agents of sustainability' of human life. 'Pharmacovigilance', 'safety by design', 'pharmacopeia adherence' and 'bioethics' are active ingredients in our product development formula.



While the medicines we produce protect human health, the processes we use to produce them are carefully chosen keeping in mind environmental health.

## Quality by Design

At Dr. Reddy's, we are passionate about not only 'doing the right thing' but also 'doing it right the first time'. Hence quality is embedded in all our products and processes right from the design stage.

We embarked on our QbD journey by introducing it in IPDO and now are gradually cascading it across all our manufacturing facilities.



The holistic and systematic QbD approach empowers us to arrive at

**1** Well-chosen  
Materials

**2** Well-developed  
Methods

**3** Well-designed  
Machines

**4** Well-trained  
Manpower

To further reinforce our quality drive, we are working on a transformation effort to enhance ownership and have defined roles and responsibilities across levels and departments towards accomplishment of quality objectives.

## 360° Safety Commitment

Be it our products or processes - safety comes first at Dr. Reddy's. We adhere to globally-recognized, safety benchmarks like the International Conference on Harmonization (ICH) guidelines and incorporate global pharmacovigilance mandates across the entire product development lifecycle.

## Our Safety Assurance Model

### 1 Product Development



#### Bioequivalence | Pharmacovigilance - Clinical Trials

Drug safety is evaluated and monitored during bioequivalence studies and clinical trials. In this stage we determine the efficacy and safety profiles of our generics and biosimilars vis-à-vis their original drugs.



### 2 Manufacturing



#### Stability | Quality Control & Assurance

Stability testing is undertaken to determine how the formulation will behave under various environmental conditions.



### 3 Post Launch



#### Pharmacovigilance: Post Marketing Surveillance

Once the drug has been launched, its safety is monitored through post marketing surveillance under the supervision of our clinical development and pharmacovigilance department.



## Addressing Counterfeit

Over and above huge sales losses, Intellectual Property (IP) infringements and reputation drain, the most pertinent problem with counterfeiting is the risk it poses to the patient's health.

At Dr. Reddy's, we have deployed a robust process to prevent counterfeiting of our products. Some of the key systems and initiatives we have instituted to avert this breach include:



## Responsible Marketing & Promotion

We ensure that all information is provided in an unambiguous and precise manner. In the reporting period, no material was recalled because of errors in medical communication.

We keep our Professional Sales Representatives (PSRs) abreast with the latest information on our products. All PSRs undergo in-depth training in accordance with standard operating procedures, so that they are well-equipped and are able to effectively communicate the same.

During FY 11 and FY 12 about 21,000 and 19,000 man-days of training was provided respectively to trainee PSRs.

Apart from this, the Training Managers also undertake OJT (On-Job Training) with select PSRs as joint field work. This amounted to about 605 man-days in FY 2011 and 443 man-days in FY 2012.

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During FY 11 and FY 12 about 21,000 and 19,000 man-days of training was provided respectively to trainee PSRs.

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## Feedback

Questions pertaining to the content of the report may be directed to:

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To view the complete report, please visit: <http://www.drreddys.com/sustainability/index.html>



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Our Sustainability Report 2011-12 is based on the  
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