

DR. REDDY'S LABORATORIES LIMITED

RECEIVABLES MANAGEMENT

EFFECTIVE DATE: 1ST NOV, 2018

SOP NO

VERSION:

VALID TILL:

GG /IND/016

1.0

30TH SEP, 2020

1. Objective

To lay a standard procedure for receivables management

2. Scope

This SOP shall be applicable to both National and Onco Business. It covers the following aspects:

- i. Collection of Overdue/Follow Up with customers
- ii. Handling cheque bounce cases/restoration
- iii. Timelines for sending demand notices

3. Members Involved / Responsibility

Sales Managers, Division Heads, Concerned Executive C&FA Mgt Team, Finance Team, Quanta Team and Head Logistics and Trade Relation.

4. Procedure

A. OVERDUES

- i. If there is overdue against any customer, billing should be blocked. Finance approval to be taken if billing to be done against overdue. Also if overdue is related to one division and the other division wants to bill to a particular party, billing to be made on advance DD only. This is for the customers who deal with super specialty only.
- ii. When there is an overdue against a customer, Respective CFA should immediately follow up with the customer for payment. If the overdue is not cleared within 7 days, this has to be reviewed by CFA Mgmt Team and immediately to be informed to respective division's field force/marketing team.
- iii. Based on the comments received from the customers/field force/marketing team, CFA Mgmt team need to monitor and ensure collection on or before 15 days of overdue. If this is not cleared on or before 15 days of overdue, CFA Mgmt team to inform respective DH and Head – Quanta [in case of VIVA stockiests] for further follow up by keeping finance in the loop.
- iv. Based on the comments received from respective DH/Head – Quanta, if the overdue is not cleared within 20 days, CFA Mgmt team to inform Finance for further action.
- v. If the payment is received after 15 days of due date, party will be put on Advance DD for a value equal to last three month's average sales
- vi. Interest @ 18% p.a would be collected for delayed payment.

B. CHEQUE BOUNCES

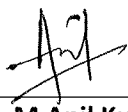
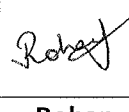

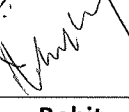
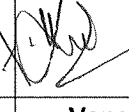
- i. Rs.1000 per cheque bounce to be collected from the customer.
- ii. Whenever there is a cheque bounce against the receivables, credit limit to be made zero till the overdue is cleared
- iii. In case of two cheque bounces [in last 6 months] due to "Insufficient funds" in the account, billing to be

made on Advance DD for a value equal to last three month's average sales. Also in case of three or more cheque bounces [in last 6 months] for any reason [viz., insufficient funds, technical error, server down etc], billing to be made on advance DD for a value equal to last three month's average sales

- iv. There should not be any billing to customer till the time advance DD is received at CFA [for the above mentioned cases]

C. DEMAND NOTICE / LEGAL NOTICE

- i. Demand Notice to be sent by respective CFA to the customers, if the amount is overdue for more than 10 days
ii. 2nd Demand Notice to be sent after 20 days of overdue
iii. If the overdue remains for more than 30 days, this need to be informed to both Finance and Legal teams for further action.

| | Initiated by | | Reviewed by | | Approved by |
|-----------|---|---|---|---|--|
| Signature |  |  |  |  |  |
| Name | M Anil Kumar | Rohan Jain | Anand Garg | Rohit Garg | Vansi Krishna |
| Date | 23/10/2018 | 23/10/2018 | 25/10/2018 | 27/10/18 | 23/10/18 |