

Highly Commended Winner

Treasury Today Asia's Top Treasury Team

Dr. Reddy's Laboratories Ltd.

Ashok Kalyan Tavva, Global Treasurer



Ankit Sarda, Tulja Singh Thakur and Ashok Kalyan Tavva, Dr. Reddy's Laboratories Ltd. and Mridula Iyer, Citi



With a footprint across 74 countries and circa 26,000 employees globally, Dr. Reddy's Laboratories Ltd. (DRL) is an Indian multinational pharmaceutical company based in Hyderabad, India.

## Team of seven delivers huge transformation for Dr. Reddy's

### Treasury transformation challenges

Dr. Reddy's Laboratories Ltd. (DRL's) treasury team comprises only seven members who centrally manage the group's global requirements around FX, currency risk, liquidity, investments, funding and working capital, payments, collections and regulatory compliances.

The team launched its treasury transformation project in 2023 with the overarching objective to further streamline its treasury management through advanced automation and technology integration, with the vision to transform treasury into a highly efficient, error-free and fully automated unit. The project aims to eliminate redundant manual processes, which also involves customising its SAP Treasury and Risk Management (TRM) module to streamline accounting, fair valuation of derivative contracts and real-time monitoring of exposures. The project would help DRL to achieve:

- Automated day one closure of accounting books vis-à-vis the existing process of T+5 days.
- ~1,200 manhours saving per year.
- Real-time exposure tracking across all 18 currencies.
- Automated reporting and reduction in redundant reconciliations.

### FX and currency risk management

With exposure to 18 currencies and a ~US\$2.5bn hedge book, currency risk management is a key focus for the treasury team. DRL has a robust FX and currency risk management policy in place, with an objective to minimise adverse currency impact on cash flows and profits. The team employs various instruments such as options, risk reversal options, forwards and other structured derivatives to effectively manage the FX risk.

The team demonstrates the ability to innovate via deployment of receivables sale and working capital loans

to manage FX exposure in volatile currencies such as KZT, MXN, BRL and UAH in a cost-efficient manner.

The robust actions of the team during an ever-challenging FX environment ensured five consecutive years of positive net FX impact on balance sheet exposures. The team provided industry leading returns on its hedge book, with gains of ~US\$23m in FY22, ~US\$28m in FY23 and ~US\$24m in FY24.

### Investments

The team manages an investible surplus of over US\$970m with over 50% exposure to marketable securities. The highly volatile market environment over the last 12-18 months, including elevated interest rates globally and geopolitical uncertainties, required extremely dynamic responses to avoid mark-to-market impact and ensure optimal portfolio returns. The team also keeps up to date with market developments and updates its investment policy to ensure exposure to high-quality investments. DRL's India investment portfolio yielded 8.04% return in FY24.

### Liquidity and working capital management

DRL's global operations expose it to multiple geographies, currencies and time zones. Hence, liquidity and operation risk management are a key performance indicator. The team has implemented many innovative and new-age banking solutions in close coordination with cross-functional and cross-regional teams including banking partners, tax, legal, business, compliance, technology and operations to ensure a successful outcome.

- **Receivables sales programme** – DRL implemented a US\$200m multi-seller, multi-currency global accounts receivables sales programme in 2024 with the objective of working capital (WC) management and AR/FX risk mitigation. When fully operational, the programme will cover receivables of US\$400m in nine currencies across

13 countries. The programme is helping significantly reduce FX hedging cost and significant reduction in DSO.

- **Supply chain finance** – the team led the launch of an automated supplier invoice pre-payment programme to embed WC efficiencies in DRL's procure-to-pay process cost of goods sold (COGS) reduction and which also helped strengthen its vendor relationships. The programme contributed ~US\$6m to income in FY24 and expected to contribute even higher in current year. C2FO is the SCF solution partner.
- **Cash pooling for European business** – DRL implemented a notional cash pooling structure in 2024 for its European entities, which has resulted in enhanced liquidity management, cost efficiency, accurate forecasting, and enhanced visibility and control over cash flows. The initiative has already delivered financial benefit of US\$0.5m, which is expected to exceed US\$1m once the project is fully implemented.
- **Acquisition financing** – the team played a key role in executing one of the largest recent acquisitions that DRL announced in June 2024 – Haleon's portfolio of nicotine

replacement therapy products. The team managed various key workstreams on the acquisition including deal structuring, funding structure and hedging strategy, which has yielded a mark-to-market benefit of ~US\$20m+.

- **Bank fees** – the team also undertook a project to ensure rationalisation and complete visibility of bank charges across 43 legal entities, 22 banks and ~100 bank accounts. This has led to 25% cost reduction for DRL towards bank fees as well as enhanced visibility via consolidated bank statements capturing AFP Codes.

### Objectives delivered

Given the large global footprint and complexity of operations, including dealings in many restricted currencies, DRL's treasury team has played a pivotal role in ensuring business and operational continuity as well as growth for the firm globally. It has not only ensured it continues to help deliver on the strategic objectives of DRL and meet its own stated KPIs but has gone above and beyond over the last 12-18 months. Citi, India is the primary banking partner in this transformation project.

Many congratulations to Dr. Reddy's treasury team on this deserving recognition of their trailblazing efforts over the last 18 months, and for raising the bar for treasury centres globally. The team's achievements – on FX, currency risk, investments, working capital, cost optimisation and digitising banking operations – are stellar in terms of both strategic objectives achieved and the ability to execute for the long term. As the key global banking partner, Citi is proud to be a trusted advisor to Dr. Reddy's team on their journey towards treasury excellence.

**Karandeep Singh Batth, Solution Sales, Treasury and Trade Solutions, Citi India**

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