



DR. REDDY'S LABORATORIES LIMITED
Subsidiary Companies Financials 2013-14

**HEALTHY
FOREVER**

Sl. No. Subsidiaries

1.	Aurigene Discovery Technologies (Malaysia) SDN BHD
2.	Aurigene Discovery Technologies Inc.
3.	Aurigene Discovery Technologies Limited
4.	beta Institut gemeinnützige GmbH
5.	betapharm Arzneimittel GmbH
6.	Cheminor Investments Limited
7.	Chienna B.V.
8.	Chirotech Technology Limited
9.	Dr. Reddy's Bio-Sciences Limited
10.	Dr. Reddy's Farmaceutica Do Brasil Ltda.
11.	Dr. Reddy's Laboratories (Australia) Pty. Limited
12.	Dr. Reddy's Laboratories (Canada) Inc.
13.	Dr. Reddy's Laboratories (EU) Limited
14.	Dr. Reddy's Laboratories (Proprietary) Limited
15.	Dr. Reddy's Laboratories (UK) Limited
16.	Dr. Reddy's Laboratories Inc.
17.	Dr. Reddy's Laboratories International SA
18.	Dr. Reddy's Laboratories LLC, Ukraine
19.	Dr. Reddy's Laboratories Louisiana LLC
20.	Dr. Reddy's Laboratories New York, Inc.
21.	Dr. Reddy's Laboratories Romania SRL
22.	Dr. Reddy's Laboratories SA, Switzerland
23.	Dr. Reddy's Laboratories Tennessee, LLC
24.	Dr. Reddy's New Zealand Limited
25.	Dr. Reddy's Pharma SEZ Limited
26.	Dr. Reddy's Singapore PTE. LTD
27.	Dr. Reddy's Srl
28.	Dr. Reddy's Venezuela, C.A.
29.	DRL Impex Limited
30.	Euro Bridge Consulting BV
31.	Idea2Enterprises (India) Private Limited
32.	Industrias Quimicas Falcon de Mexico, S.A. de CV
33.	Kunshan Rotam Reddy Pharmaceutical Company Limited
34.	Lacock Holdings Limited
35.	OctoPlus Development B.V.
36.	OctoPlus N.V.
37.	OctoPlus PolyActive Sciences B.V.
38.	OctoPlus Sciences B.V.
39.	OctoPlus Technologies B.V.
40.	OctoShare B.V.
41.	OOO Dr. Reddy's Laboratories Limited
42.	OOO DRS LLC
43.	Promius Pharma LLC
44.	Reddy Antilles N.V.
45.	Reddy Cheminor S.A.
46.	Reddy Holding GmbH
47.	Reddy Specialities GmbH
48.	Reddy Netherlands BV
49.	Reddy Pharma Iberia SA
50.	Reddy Pharma Italia SpA
51.	Reddy US Therapeutics Inc.

Aurigene Discovery Technologies (M) SDN BHD

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in thousands)

Particulars	31 March 2014	31 March 2013
Profit for the year after taxation	4,946	14,324
Balance brought forward	(6,507)	(20,831)
Balance carried forward to balance sheet	(1,561)	(6,507)

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of profit of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Palanivel Sathasivam
Director

Place: Hyderabad
Date: 9 May 2014

C S N Murthy
Director

Auditors' Report

To
The Members of
Aurigene Discovery Technologies (M) SDN BHD

We have audited the accompanying financial statements of **Aurigene Discovery Technologies (M) SDN BHD**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the profit for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
 - c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN: 002857S

A. Ramachandra Rao

Partner

Membership No.: 9750

Place: Hyderabad

Date: 9 May 2014

Aurigene Discovery Technologies (M) SDN BHD**Balance Sheet**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	15,604	15,604
Reserves and surplus	2.2	<u>(1,561)</u>	<u>(6,505)</u>
		<u>14,043</u>	<u>9,099</u>
Non current liabilities			
Long term borrowings	2.3	<u>12,935</u>	<u>8,615</u>
		<u>12,935</u>	<u>8,615</u>
Current liabilities			
Trade payables	2.4	77,808	89,115
Other current liabilities	2.5	<u>7,345</u>	<u>83,443</u>
		<u>85,153</u>	<u>172,558</u>
	TOTAL	<u>112,131</u>	<u>190,272</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	12,601	17,722
Long term loans and advances	2.7	<u>1,418</u>	<u>1,413</u>
		<u>14,019</u>	<u>19,135</u>
Current assets			
Cash and bank balances	2.8	97,284	170,084
Short term loans and advances	2.9	<u>828</u>	<u>1,053</u>
		<u>98,112</u>	<u>171,137</u>
	TOTAL	<u>112,131</u>	<u>190,272</u>

Significant accounting policies 1
The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

A Ramachandra Rao
Partner
Membership No. 9750

Place: Hyderabad
Date: 9 May 2014

for and on behalf of the Board of Directors

Palanivel Sathasivam
Director

C S N Murthy
Director

Aurigene Discovery Technologies (M) SDN BHD

Statement of Profit and Loss

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Service income		270,466	348,801
Other operating revenues		-	1,252
Revenue from operations		270,466	350,053
Other income	2.10	121	979
Total revenue		270,587	351,032
Expenses			
Cost of technical sub-contractors		224,526	295,697
Employee benefits expense	2.11	15,653	12,395
Depreciation expense	2.6	5,831	5,080
Other expenses	2.12	19,626	23,536
Total expenses		265,636	336,708
Profit before tax		4,951	14,324
Tax expense			
Current tax		5	-
Profit for the year		4,946	14,324

Significant accounting policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Palanivel Sathasivam

Director

C S N Murthy

Director

Aurigene Discovery Technologies (M) SDN BHD
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“IGAAP”) under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Subsequent expenditure related to an item of tangible fixed asset is capitalised only if it increases the future benefits from the existing assets beyond its previously assessed standards of performance.

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ₹ 5,000/- are depreciated in full in the year of acquisition.

Management’s estimates of the useful lives for various categories of fixed assets are given below:

	Years
Electrical equipment	5 to 15
Laboratory equipment	4 to 10
Office equipment	3 to 5

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Gains or losses from disposal of tangible fixed assets are recognised in the statement of profit and loss.

e) Foreign currency transactions and balances

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

Aurigene Discovery Technologies (M) SDN BHD
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

f) Revenue recognition
Service Income

Revenue from services rendered is recognized in the statement of profit and loss as the underlying services are performed.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

g) Employee benefits

Defined contribution plans

The company's contributions to defined contribution plans are charged to statement of profit and loss as and when the services are received from the employees.

h) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Aurigene Discovery Technologies (M) SDN BHD

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
1,000,000 (previous year : 1,000,000) shares of MYR 1 each	15,604	15,604
Issued		
1,000,000 (previous year : 1,000,000) shares of MYR 1 each	15,604	15,604
Subscribed and paid-up		
1,000,000 (previous year : 1,000,000) shares of MYR 1 each	15,604	15,604
	15,604	15,604

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	1,000,000	15,604	1,000,000	15,604
Add: Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	1,000,000	15,604	1,000,000	15,604

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of MYR 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
Aurigene Discovery Technologies Limited	1,000,000	100	1,000,000	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Foreign currency translation reserve		
Balance at the beginning of the year	2	2
Movement during the year	(2)	-
	-	2
Deficit		
Balance at the beginning of the year	(6,507)	(20,831)
Add: Current year profit	4,946	14,324
Balance carried forward	(1,561)	(6,507)
	(1,561)	(6,505)

Aurigene Discovery Technologies (M) SDN BHD

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.3 : Long term borrowings

	As at 31 March 2014	As at 31 March 2013
Borrowings from holding company and other group companies	12,935	8,615
	<u>12,935</u>	<u>8,615</u>

2.4 : Trade Payables

	As at 31 March 2014	As at 31 March 2013
Payables to holding company and other group companies	77,694	89,014
Payables to others	114	101
	<u>77,808</u>	<u>89,115</u>

2.5 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Accrued expenses	7,006	2,628
Others	339	80,815
	<u>7,345</u>	<u>83,443</u>

Aurigene Discovery Technologies (M) SDN BHD

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.6 : Fixed assets

Description	Gross Block				Depreciation				Net Block	
	As at 01.04.2013	Additions	Deletions	As at 31.03.2014	As at 01.04.2013	For the year	Deletions	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Electrical equipment	377	-	-	377	231	64	-	295	82	146
Laboratory equipment	28,542	653	-	29,195	11,983	4,735	-	16,718	12,477	16,559
Office equipment	6,461	439	921	5,979	5,443	1,032	538	5,937	42	1,017
TOTAL	35,380	1,092	921	35,551	17,657	5,831	538	22,950	12,601	17,722
Previous year	33,964	1,834	419	35,380	12,985	5,080	408	17,657	17,722	

Aurigene Discovery Technologies (M) SDN BHD

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.7 : Long term loans and advances

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
<i>Considered good</i>		
Security deposits	1,374	1,413
Advance tax, net of provision for income taxes	44	-
	1,418	1,413

2.8 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Bank balances		
In current accounts	97,284	170,084
	97,284	170,084

2.9 : Short term loans and advances

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
<i>Considered good</i>		
Advances to material suppliers	-	654
Prepaid expenses	439	224
Other advances	389	175
	828	1,053

2.10 : Other income

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest income	27	13
Profit on sale of fixed assets, net	94	-
Foreign exchange gain, net	-	966
	121	979

2.11 : Employee benefits expense

	For the year ended 31 March 2014	For the year ended 31 March 2013
Salaries, wages and bonus	13,652	10,715
Contribution to provident and other funds	1,584	1,296
Staff welfare expenses	417	384
	15,653	12,395

Aurigene Discovery Technologies (M) SDN BHD

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.12 : Other expense

	For the year ended 31 March 2014	For the year ended 31 March 2013
Legal and professional	11,432	13,940
Carriage outward	18	54
Selling expenses	63	-
Rates and taxes	29	10
Repairs and maintenance		
Buildings	124	3,233
Plant and machinery	43	10
Others	92	29
Power and fuel	-	331
Travelling and conveyance	1,240	1,298
Rent	2,300	3,037
Foreign exchange loss, net	3,087	-
Insurance	52	1
Other general expenses	1,146	1,593
	<u>19,626</u>	<u>23,536</u>

2.13 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

Aurigene Discovery Technologies (M) SDN BHD

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.14: Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended	
	31 March 2014	31 March 2013
i. Purchases and services from holding company and other group companies:		
Aurigene Discovery Technologies Limited	214,740	280,833

b. The Company has the following amounts due from / to related parties:

Particulars	As at	
	31 March 2014	31 March 2013
i. Due to holding company and other group companies (included in trade payables):		
Aurigene Discovery Technologies Limited	77,694	89,014
ii. Due to holding company and other group companies (included in long term borrowings):		
Aurigene Discovery Technologies Limited	12,935	8,615

2.15: Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.16: The Company, incorporated in Malaysia, is a 100% subsidiary of Aurigene Discovery Technologies Limited.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for **and on behalf of the Board of Directors**

Palanivel Sathasivam

Director

A Ramachandra Rao

Partner

Membership No. 9750

CSN Murthy

Director

Place: Hyderabad

Date: 9 May 2014

Aurigene Discovery Technologies Inc.

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in thousands)

Particulars	31 March 2014	31 March 2013
Loss for the year after taxation	(19,153)	(9,641)
Balance brought forward	(232,333)	(222,692)
Balance carried forward to balance sheet	(251,486)	(232,333)

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of loss of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

G.V. Prasad
Director

Place: Hyderabad
Date: 9 May 2014

Satish Reddy
Director

Auditors' Report

To
The Members of
Aurigene Discovery Technologies Inc.

We have audited the accompanying financial statements of **Aurigene Discovery Technologies Inc.**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
 - c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN: 002857S

A. Ramachandra Rao

Partner

Membership No.: 9750

Place: Hyderabad

Date: 9 May 2014

Aurigene Discovery Technologies Inc.**Balance Sheet**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	251,181	210,307
Reserves and surplus	2.2	(256,587)	(233,865)
		<u>(5,406)</u>	<u>(23,558)</u>
Non current liabilities			
Long term borrowings	2.3	8,331	28,500
		<u>8,331</u>	<u>28,500</u>
Current liabilities			
Other current liabilities	2.4	4,374	2,984
		<u>4,374</u>	<u>2,984</u>
	TOTAL	<u>7,299</u>	<u>7,926</u>
ASSETS			
Current assets			
Trade receivables	2.5	4,259	-
Cash and bank balances	2.6	3,040	7,926
		<u>7,299</u>	<u>7,926</u>
	TOTAL	<u>7,299</u>	<u>7,926</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

*for A Ramachandra Rao & Co.**Chartered Accountants*

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

G.V. Prasad

Director

Satish Reddy

Director

Aurigene Discovery Technologies Inc.
Statement of Profit and Loss

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Service income		33,402	-
Revenue from operations		33,402	-
Other income	2.7	2,237	9
Total revenue		35,639	9
Expenses			
Salaries, wages and bonus		23,467	6,270
Other expenses	2.8	31,325	3,380
Total expenses		54,792	9,650
Loss before tax		(19,153)	(9,641)
Tax expense		-	-
Loss for the year		(19,153)	(9,641)

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

G.V. Prasad

Director

Satish Reddy

Director

Aurigene Discovery Technologies Inc.
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("IGAAP") under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Foreign currency transactions and balances

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

**e) Revenue recognition
Service Income**

Revenue from services rendered is recognized in the statement of profit and loss as the underlying services are performed.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

f) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Aurigene Discovery Technologies Inc.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
6,000,000 (previous year : 6,000,000) equity shares of USD 1 each	<u>276,000</u>	<u>276,000</u>
Issued		
5,115,000 (previous year : 4,400,000) equity shares of USD 1 each	<u>251,181</u>	<u>210,307</u>
Subscribed and paid-up		
5,115,000 (previous year : 4,400,000) equity shares of USD 1 each	<u>251,181</u>	<u>210,307</u>
	<u>251,181</u>	<u>210,307</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	4,400,000	210,307	4,400,000	210,307
Shares issued during the year	715,000	40,874	-	-
Number of shares outstanding at the end of the year	5,115,000	251,181	4,400,000	210,307

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of USD 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
Aurigene Discovery Technologies Limited	5,115,000	100	4,400,000	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Foreign currency translation reserve		
Balance at the beginning of the year	(1,532)	(665)
Movement during the year	<u>(3,569)</u>	<u>(867)</u>
	<u>(5,101)</u>	<u>(1,532)</u>
Deficit		
Balance at the beginning of the year	(232,333)	(222,692)
Add: Current year loss	<u>(19,153)</u>	<u>(9,641)</u>
Balance carried forward	<u>(251,486)</u>	<u>(232,333)</u>
	<u>(256,587)</u>	<u>(233,865)</u>

Aurigene Discovery Technologies Inc.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.3 : Long term borrowings

	As at 31 March 2014	As at 31 March 2013
Borrowings from holding company and other group companies	8,331	28,500
	<u>8,331</u>	<u>28,500</u>

2.4 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Due to holding company and other group companies	2,253	1,093
Accrued expenses	2,121	1,890
Others	-	1
	<u>4,374</u>	<u>2,984</u>

2.5 : Trade receivables

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
Debts outstanding for a period exceeding six months	-	-
Other debts		
Considered good	4,259	-
	<u>4,259</u>	<u>-</u>

2.6 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Bank balances		
In current accounts	3,040	7,926
	<u>3,040</u>	<u>7,926</u>

2.7 : Other income

	For the year ended 31 March 2014	For the year ended 31 March 2013
Foreign exchange gain, net	2,231	-
Interest income	6	9
	<u>2,237</u>	<u>9</u>

2.8 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Legal and professional	3,124	2,799
Rates and taxes	47	22
Travelling and conveyance	2,813	550
Bank charges	7	8
Other general expenses	25,334	1
	<u>31,325</u>	<u>3,380</u>

Aurigene Discovery Technologies Inc.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.9: Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.10: Related party disclosures

a. The Company has following related party transactions:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
i. Services from holding company or other companies within the group:		
Dr. Reddy's Laboratories Inc.	4,458	4,119
ii. Service income from holding company and other group companies:		
Aurigene Discovery Technologies Limited	33,402	-

b. The Company has following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due to holding company and other group companies (included in other current liabilities):		
Dr. Reddy's Laboratories Inc.	2,253	1,093
ii. Due to holding company and other group companies (included in long term borrowings):		
Aurigene Discovery Technologies Limited	8,331	28,500
iii. Due from holding company and other group companies (included in trade receivables):		
Aurigene Discovery Technologies Limited	4,259	-

2.11: Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.12: The Company incorporated in the United States of America, is a 100% subsidiary of Aurigene Discovery Technologies Limited.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Satish Reddy

Director

A Ramachandra Rao

Partner

Membership No. 9750

G.V. Prasad

Director

Place: Hyderabad

Date: 9 May 2014

DIRECTORS' REPORT

Dear Members,

Your Directors present the 13th Annual Report of the Company for the year ended March 31, 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

Particulars	(Rupees in lakhs)	
	Financial Year ended March 31, 2014	Financial Year ended March 31, 2013
Income	13,824	16,376
Profit Before Tax	1274	5,623
Tax Expenses	481	1,903
Profit After Tax	793	3,720
Proposed Dividend on 8% Cumulative Preference Shares	-	118
Proposed Dividend on Equity Shares	788	-
Tax on dividend	134	20
Net Profit	(129)	3,582
Profit (Loss) brought forward	2,874	(708)
Transfer to Capital Redemption Reserve	1,475	-
Profit Carried Forward to Balance Sheet	1,270	2,874

Dividend

Your Directors are pleased to recommend a dividend of Rs. 0.87 on every equity share of Rs 10/- each for FY 2014. The dividend, if approved, at the 13th Annual General Meeting will be paid to those shareholders whose names appear on the Register of Members of the Company as on July 11, 2014.

The Dividend would be tax-free in the hands of shareholders.

Subsidiary Companies

The Company has two wholly owned subsidiaries, namely M/s. Aurigene Discovery Technologies Inc. and M/s. Aurigene Discovery Technologies (Malaysia) Sdn Bhd as on March 31, 2014. The document/statement, pursuant to the provision of Section 212(1) of the Companies Act, 1956 is attached to the Balance Sheet of your Company.

Share capital

During the year under review, the company has redeemed Rs 14.75 crores of preference share capital held by the parent in full pursuant to the put option exercised by parent in line with the preference share capital agreement.

Directors

Mr. Satish Reddy (DIN: 00129701) and Mr. Julius John Sheldon Knowles (DIN: 05261277), retire by rotation at the ensuing Annual General Meeting scheduled on July 15, 2014 and being eligible seek re-appointment. Your Directors recommend their re-appointment for your approval at the ensuing AGM.

Audit Committee

The Audit Committee consists of Mr. G V Prasad (DIN: 00057433), Mr. Satish Reddy (DIN: 00129701) and Mr. Saumen Chakraborty (DIN: 06471520) as members of the Committee. All the members of the Audit Committee are non-executive Directors and one of them is having financial and accounting knowledge. The Audit Committee met four times during the year: on April 26, 2013, July 19, 2013 October 18, 2013 and February 3, 2014.

The functions of the Audit Committee are to:

- a) Hold discussions with the Auditors periodically about internal control systems and the scope of audit including observations of the auditors;
- b) Review the half-yearly and annual financial statements before submission to the Board; and
- c) Ensure the compliance of internal control systems in the Company.

Auditors

The Statutory Auditors of the Company M/s B S R & Co. LLP, Chartered Accountants, Bangalore, retire at the ensuing 13th Annual General Meeting and have confirmed their eligibility and willingness to accept office of Auditors, if re-appointed. Section 139(2) of the Companies Act, 2013 mandates that a listed company or such other prescribed classes of companies shall not appoint or re-appoint an audit firm as Statutory Auditors for more than two terms of five consecutive years each.

Further, the companies as aforesaid, whose Statutory Auditors has held office for a period of 10 years or more are required to comply with these provisions, within three years from the date of commencement of these provisions i.e. April 1, 2014. For this purpose, the term of the audit firm before the commencement of these provisions shall be taken into account for calculating the period of ten consecutive years.

Our auditors, M/s. B S R & Co. LLP, Chartered Accountants, are holding the office as Statutory Auditors since FY 2002-03 and hence they can be re-appointed for only a period upto three years i.e. upto financial year 2016-17.

The Audit Committee and the Board of Directors recommend re-appointment of M/s B S R & Co. LLP, Chartered Accountants, Bangalore, as Statutory Auditors of the Company for the financial year 2014-15 and 2015-16 for the approval of shareholders.

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of profit of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the Annual Accounts on an on-going concern basis.

Particulars of Employees

In terms of the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report. Having regard to the provisions of Section 219(1)(b)(iv) of the said Act, the Annual report excluding the aforesaid information is being sent to the members of the Company. Any member, interested in obtaining such particulars may write to the Company Secretary of the Company.

Conservation of energy and technology absorption

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy and technology absorption are not applicable to your Company.

Foreign exchange earnings and outgo

Please refer information given in the notes to the Annual Accounts of the Company in Schedule 22 Notes on accounts item no. 'b' to item no. 'e'

Acknowledgement

Your Directors place on record their sincere appreciation for significant contribution made by the employees through their dedication, hard work and commitment. We also acknowledge the support extended to us by the bankers, government agencies and shareholders of the Company during the year.

For and on behalf of the Board of Directors

Place: Bangalore
Date: May 1, 2014

G V Prasad
Director

Satish Reddy
Director

Independent Auditor's Report

To the Members of Aurigene Discovery Technologies Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Aurigene Discovery Technologies Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ('the Act') read with the general circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;

Aurigene Discovery Technologies Limited

Independent Auditor's Report (continued)

- (ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013; and
 - e. on the basis of written representations received from the directors as on 31 March 2014, and taken on record by the Board of Directors, none of the directors are disqualified as on 31 March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

for B S R & Co. LLP

Chartered Accountants

Firm's Registration Number: 101248W

Sampad Guha Thakurta

Partner

Membership Number: 060573

Place: Bangalore

Date:

Aurigene Discovery Technologies Limited
Annexure to the Independent Auditors' Report

The Annexure referred to in our report to the members of Aurigene Discovery Technologies Limited (“the Company”) for the year ended 31 March 2014. We report that:

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified over a period of three years. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) Fixed assets disposed of during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) (a) The inventory of consumables has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures of physical verification of consumables followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventories. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) The Company has granted interest free loans to its two subsidiary companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding during the year was Rs. 1,891 lakhs and the year-end balance of such loans was Rs. 213 lakhs.
- (b) In our opinion, the rate of interest and other terms and conditions on which loans have been granted to companies listed in the register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
- (c) The terms of the loan arrangements do not stipulate any repayment schedule and are repayable on demand. Further, the loan arrangements are interest free. Accordingly 4 (iii) (c) of the Order are not applicable to the Company in respect of the repayment of the principal amount and the interest.
- (d) Since the terms of the arrangement do not stipulate repayment terms, for principal and interest, and no demand has been made, there are no overdue amounts in respect of Rs. 1 lakh. Accordingly, para 4 (iii) (d) of the Order is not applicable.
- (e) The Company has not taken loans secured or unsecured from any companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

Aurigene Discovery Technologies Limited
Annexure to Independent Auditors' Report (continued)

- (iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that sale of certain services are for the specialised requirements of the customer and that it is not possible to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of consumables and fixed assets and with regard to sale of services. The activities of the Company, during the year, did not involve sale of goods. We have not observed any major weakness in internal control system during the course of the audit.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in paragraph (v) (a) above and exceeding the value of Rs. 5 lakh with each party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time, except for sale of certain services which are for the specialized requirements of the customer, for which suitable alternative sources are not available to obtain comparable quotations and for purchase of certain services by the Company which are for its specialized requirements and for which suitable alternative sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the same appear reasonable.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government of India has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of services rendered by the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Income-tax, Sales-tax, Service tax, Customs duty, Cess and other material statutory dues have generally been regularly deposited with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund, Wealth tax and Excise duty. We are informed that the provisions of the Employees' State Insurance Act, 1948 ("ESI") are not applicable to the Company.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Income-tax, Sales-tax, Service tax, Customs duty, Cess and other material statutory dues were in arrears as at 31 March 2014 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues in respect of Income tax, Sales tax, Service-tax, Customs duty and other statutory dues which have not been deposited with the appropriate authorities on account of any dispute.
- (x) The Company does not have accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.

Aurigene Discovery Technologies Limited
Annexure to Independent Auditors' Report (continued)

The Company did not have any outstanding dues to any financial institution or debenture holders during the year.

- (xi) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.
- (xiii) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xiv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xv) In our opinion and according to the information and explanations given to us, no term loans were taken by the Company during the year.
- (xvi) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that funds raised on short-term basis have not been used for long-term investment.
- (xvii) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xviii) The Company did not have any outstanding debentures during the year.
- (xix) The Company has not raised any money by public issues during the year.
- (xx) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

for B S R & Co. LLP

Chartered Accountants

Firm registration no. 101248W

Sampad Guha Thakurta

Partner

Membership No.: 060573

Place: Bangalore

Date:

Aurigene Discovery Technologies Limited
Balance sheet as at 31 March 2014

	Notes	As at 31 March 2014	(Rs in lakhs) As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	9,054	10,529
Reserves and surplus	3	3,372	3,501
		12,426	14,030
Non-current liabilities			
Other long-term liabilities	4	7,937	-
Long-term provisions	5	345	-
		8,282	-
Current liabilities			
Trade payables	6	292	260
Other current liabilities	7	1,761	1,227
Short-term provisions	8	2,742	1,699
		4,795	3,186
		25,503	17,216
ASSETS			
Non-current assets			
Fixed assets	9		
- Tangible assets		6,157	5,876
- Intangible assets		-	8
- Capital work-in-progress		-	403
		6,157	6,287
Non-current investments	10	156	156
Deferred tax assets (net)	22(i)	241	66
Long-term loans and advances	11	36	359
		433	581
Current assets			
Inventories	12	53	60
Trade receivables	13	2,059	1,985
Cash and bank balances	14	16,075	7,494
Short-term loans and advances	15	585	665
Other current assets	16	141	144
		18,913	10,348
		25,503	17,216

Significant accounting policies

1

The notes referred to above form an integral part of the financial statements

As per our report of even date attached
for **BSR & Co. LLP**
Chartered Accountants
Firm registration no. 101248W

for and on behalf of the Board of Directors of
Aurigene Discovery Technologies Limited

Sampad Guha Thakurta
Partner
Membership No.: 060573

G.V. Prasad
Director

Satish Reddy
Director

Ashish Lath
**Director-Finance
and Manager**

Arwa Rangwala
Company secretary

Bangalore
Date: 01 May 2014

Date: 01 May 2014

Aurigene Discovery Technologies Limited
Statement of profit and loss for the year ended 31 March 2014

	Notes	For the year ended 31 March 2014	(Rs in lakhs) For the year ended 31 March 2013
Revenue			
Revenue from operations	17	13,141	15,968
Other income	18	683	408
		<u>13,824</u>	<u>16,376</u>
Expenses			
Employee benefits expense	19	4,824	4,238
Finance cost	20	149	127
Depreciation and amortization expense	9	984	1,043
Other expenses	21	6,593	5,345
		<u>12,550</u>	<u>10,753</u>
Profit before tax		1,274	5,623
Tax expense:			
- current tax/ minimum alternate tax		(656)	(1,715)
- deferred tax credit/(charge)		175	(188)
Profit for the year		<u>793</u>	<u>3,720</u>
Earnings per share (equity shares, par value of Rs 10 each)			
- Basic (Par value, Rs 10 each)	22(j)	0.88	3.96
- Diluted (Par value, Rs 10 each)	22(j)	0.88	3.96

Significant accounting policies

1

The notes referred to above form an integral part of the financial statements

As per our report of even date attached
for **B S R & Co. LLP**
Chartered Accountants
Firm registration no. 101248W

for and on behalf of the Board of Directors of
Aurigene Discovery Technologies Limited

Sampad Guha Thakurta
Partner
Membership No.: 060573

G.V. Prasad
Director

Satish Reddy
Director

Ashish Lath
**Director-Finance
and Manager**

Arwa Rangwala
Company secretary

Bangalore
Date: 01 May 2014

Date: 01 May 2014

Aurigene Discovery Technologies Limited

Cash flow statement

(Rs in lakhs)

	For the year ended 31 March 2014	For the year ended 31 March 2013
Cash flows from operating activities		
Profit before tax	1,274	5,623
Adjustments:		
Depreciation and Amortization	984	1,043
Reversal of provision for slow moving inventory	(1)	(3)
Finance cost	149	127
Unrealised foreign exchange gain	(272)	(205)
Assets discarded/ profit on sale of fixed assets	48	(2)
Interest income	(614)	(406)
Operating cash flows before working capital changes	1,568	6,177
Changes in trade receivables	(74)	540
Changes in inventories	7	(3)
Changes in unbilled revenue	62	397
Changes in loans and advances	53	(286)
Changes in liabilities and provisions	9,026	(1,562)
Cash generated from operations	10,642	5,263
Income-tax paid	(437)	(1,285)
Net cash generated by operating activities	<u>10,205</u>	<u>3,978</u>
Cash flows from investing activities		
Purchase of fixed assets	(858)	(751)
Proceeds from sale of fixed assets	-	12
Interest received	555	413
Advances refunded by subsidiaries	244	269
Advances given to subsidiaries	(224)	(146)
Investment in fixed deposits having original maturity of more than 3 but less than 12 months.	(6,986)	(6,380)
Net cash used in investing activities	<u>(7,269)</u>	<u>(6,583)</u>
Cash flows from financing activities		
Repayment of preference share capital	(1,475)	-
Dividend paid	(118)	(276)
Tax on dividend	(20)	(45)
Net cash used in financing activities	<u>(1,613)</u>	<u>(321)</u>
Net Increase/(Decrease) in cash and cash equivalents	<i>a+b+c</i> 1,323	(2,926)
Cash and cash equivalents at the beginning of the year	1,114	3,835
Effect of exchange gain on cash and cash equivalents	272	205
Cash and cash equivalents at the end of the year (Refer note 3 below)	<u>2,709</u>	<u>1,114</u>

Aurigene Discovery Technologies Limited

Cash flow statement (continued)

Note 1: The above cash flow statement has been prepared in accordance with the 'Indirect Method' as set out in the Accounting Standard (AS-3) on 'Cash Flow Statements', issued by Companies (Accounting Standard) Rules, 2006

Note 2: Figures in bracket indicate cash outflow.

Note 3: Components of cash and cash equivalents:

	31-Mar-14	31-Mar-13
Cash on hand	1	1
Balance with banks		
on current account	304	608
on deposit account (with original maturity of 3 months or less)	2,404	505
	2,709	1,114

As per our report of even date attached

for **B S R & Co. LLP**

Chartered Accountants

Firm registration no. 101248W

for and on behalf of the Board of Directors of
Aurigene Discovery Technologies Limited

Sampad Guha Thakurta

Partner

Membership No.: 060573

G.V. Prasad

Director

Satish Reddy

Director

Ashish Lath

**Director-Finance
and Manager**

Arwa Rangwala

Company secretary

Bangalore

Date: 01 May 2014

Date: 01 May 2014

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended 31 March 2014

2 Share capital

	(Rs in lakhs)	
	As at 31 March 2014	As at 31 March 2013
Authorised		
95,000,000 (Previous year : 95,000,000) equity shares of Rs. 10 each	9,500	9,500
45,000,000 (Previous year : 45,000,000) 8% cumulative redeemable preference shares of Rs. 10 each	4,500	4,500
	14,000	14,000
Issued, subscribed and fully paid up		
90,544,104 (Previous year :90,544,104) equity shares of Rs. 10 each, fully paid up - [Refer note 1]	9,054	9,054
Nil (Previous year : 14,750,000) 8 % cumulative redeemable preference shares of Rs. 10 each, fully paid up. - [Refer note 2]	-	1,475
	9,054	10,529

Note 1

Of the above issued, subscribed and paid up equity shares 90,544,088 (Previous year : 90,544,088) equity shares of Rs. 10 each fully paid up are held by Dr. Reddy's Laboratories Limited (DRL), the holding company and 16 (Previous year : 16) equity shares are held by the nominees of DRL. DRL is the ultimate holding company.

Note 2

8% cumulative redeemable preference shares Nil (Previous year : 14,750,000) preference shares of Rs. 10 each fully paid up was entirely held by DRL, the ultimate holding company as these shares were allotted as fully paid-up pursuant to a Business Purchase Agreement without payments being received in cash. Further, these shares were redeemed in full during the year as per the put option exercised by DRL in line with the agreement.

a. Reconciliation of the number of shares outstanding at the beginning and at the end of the year

Equity shares	31 March 2014		31 March 2013	
	Number of shares	Amount	Number of shares	Amount
At the commencement of the year	90,544,104	9,054	90,544,104	9,054
Number of shares issued during the year	-	-	-	-
At the end of the year	90,544,104	9,054	90,544,104	9,054
Preference shares	As at 31 March 2014		31 March 2013	
	Number of shares	Amount	Number of shares	Amount
At the commencement of the year	14,750,000	1,475	14,750,000	1,475
Number of shares redeemed during the year	14,750,000	1,475	-	-
At the end of the year	-	-	14,750,000	1,475

b. Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares having a par value of Rs. 10 per share. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time subject to payment of dividend to preference shareholders. The dividend proposed by the Board of Directors is subject to shareholder's approval at the ensuing Annual General Meeting. The voting rights of an equity shareholder on a poll (not on show of hands) are in proportion on to its share of the paid-up capital of the Company. Voting rights cannot be exercised in respect of shares on which any call or other sums presently payable have not been paid. On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

c. List of persons holding more than 5 percent equity shares in the Company :

Name of the share holder	31 March 2014		31 March 2013	
	No of shares	% holding	No of shares	% holding
Dr. Reddy's Laboratories Limited (Holding company)	90,544,088	100%	90,544,088	100%

List of persons holding more than 5 percent preference shares in the Company :

Name of the share holder	31 March 2014		31 March 2013	
	No of shares	% holding	No of shares	% holding
Dr. Reddy's Laboratories Limited (Holding company)	-	-	14,750,000	100%

d. Aggregate number of shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:

	(Number of shares)				
	As at 31 March 2014	As at 31 March 2013	As at 31 March 2012	As at 31 March 2011	As at 31 March 2010
Nil (Previous year : 14,750,000) 8 % cumulative redeemable preference shares of Rs. 10 each, fully paid up	-	14,750,000	14,750,000	14,750,000	14,750,000
	-	14,750,000	14,750,000	14,750,000	14,750,000

e. During the five-year period ended on 31 March 2014, no shares have been bought back.

Aurigene Discovery Technologies Limited

Notes to the financial statements for the year ended 31 March 2014

3 Reserves and surplus

	(Rs in lakhs)	
	As at	As at
	<u>31 March 2014</u>	<u>31 March 2013</u>
(i) Capital reserves		
At the commencement of the year	18	18
Add: Additions during the year	-	-
Closing balance	<u>18</u>	<u>18</u>
(ii) Securities premium account		
At the commencement of the year	288	288
Add: Additions during the year	-	-
Closing balance	<u>288</u>	<u>288</u>
(iii) Capital Redemption Reserve		
At the commencement of the year	-	-
Add: Transfer from Statement of profit and loss on account of redemption of preference share capital	1,475	-
Closing balance	<u>1,475</u>	<u>-</u>
(iv) General reserve		
At the commencement and end of the year	321	321
Closing balance	<u>321</u>	<u>321</u>
(v) Surplus/ (deficit) in the statement of profit and loss		
At the commencement of the year	2,874	(708)
Add: profit for the year	793	3,720
Less: Appropriations		
Proposed dividend	(788)	(118)
Tax on dividend	(134)	(20)
Transfer to general reserve	-	-
Transfer to capital redemption reserve	(1,475)	-
Net surplus in the statement of profit and loss	<u>1,270</u>	<u>2,874</u>
	<u>3,372</u>	<u>3,501</u>
4 Other long-term liabilities		
	As at	As at
	<u>31 March 2014</u>	<u>31 March 2013</u>
Income received in advance (refer note 22(p))	7,937	-
	<u>7,937</u>	<u>-</u>
5 Long-term provisions		
	As at	As at
	<u>31 March 2014</u>	<u>31 March 2013</u>
Provision for employee benefits*		
- Long term incentives	345	-
* Refer note 22(g)	<u>345</u>	<u>-</u>

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended 31 March 2014

6 Trade payables

	<u>As at</u>	<u>(Rs in lakhs)</u>
	<u>31 March 2014</u>	<u>As at</u>
		<u>31 March 2013</u>
Trade payables		
- Dues to micro and small enterprises*	-	-
- Other creditors	292	260
	<u>292</u>	<u>260</u>

* Refer note 22(n)

7 Other current liabilities

	<u>As at</u>	<u>(Rs in lakhs)</u>
	<u>31 March 2014</u>	<u>As at</u>
		<u>31 March 2013</u>
Income received in advance refer note 22(p)	1,212	373
Creditors for capital goods	95	276
Accrued expenses	341	501
Other payables - statutory liabilities	113	77
	<u>1,761</u>	<u>1,227</u>

8 Short-term provisions

	<u>As at</u>	<u>(Rs in lakhs)</u>
	<u>31 March 2014</u>	<u>As at</u>
		<u>31 March 2013</u>
Provision for employee benefits		
- Gratuity	8	15
- Compensated absences	21	17
Provision for taxation, net of advance tax	1,791	1,529
Other Provisions		
- Provision for dividend on equity shares	788	-
- Provision for tax on dividend	134	-
- Provision for preference dividend	-	118
- Provision for tax on preference dividend	-	20
	<u>2,742</u>	<u>1,699</u>

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended 31 March 2014

9 Fixed assets

(Rs in lakhs)

Description	Gross block				Accumulated depreciation				Net block	
	As at 1 April 2013	Additions/ adjustments	Deletions/ Transfers	As at 31 March 2014	As at 1 April 2013	Depreciation/ amortisation for the year	Deletions	As at 31 March 2014	As at 31 March 2014	As at 31 March 2013
Tangible, owned										
Land	530	-		530	-	-		-	530	530
Buildings	2,786	735	51	3,470	801	102	7	896	2,574	1,985
Laboratory equipment	7,113	346	226	7,232	4,578	624	225	4,977	2,255	2,535
Electrical equipment	1,525	127	34	1,618	1,163	84	32	1,215	404	362
Plant and machinery - others	221	2	1	222	117	24	1	140	82	104
Computers	733	78	74	737	610	76	74	612	125	123
Furniture and fixtures	720	7	26	701	596	33	25	604	97	124
Vehicles	103	-		104	64	16		80	24	39
Office equipment	257	10	17	250	183	17	16	184	66	74
	-			-				-	-	-
Total A	13,988	1,305	429	14,864	8,112	976	380	8,708	6,157	5,876
Intangible assets										
Technical know how	140			140	132	8		140	-	8
Total B	140	-	-	140	132	8	-	140	-	8
Capital work-in-progress	403	-	403	-	-	-	-	-	-	403
Total C	403	-	403	-	-	-	-	-	-	403
Total D (A + B + C)	14,531	1,305	832	15,004	8,244	984	380	8,848	6,157	6,287
Previous year	13,712	873	54	14,531	7,218	1,043	17	8,244	6,287	

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended 31 March 2014

10 Non-current investments

	(Rs in lakhs)	
	As at	
	As at	
	31 March 2014	
	31 March 2013	
Trade investment unquoted		
Investment in equity instrument		
5,115,000 (Previous year : 4,400,000) common stock of USD 1 each, fully paid up, of Aurigene Discovery Technologies Inc., U.S.A., subsidiary company	2,402	2,083
1,000,000 (Previous year : 1,000,000) Common stock of Malaysian Ringgits 1 each, fully paid up, of Aurigene Discovery Technologies (Malaysia) Sdn Bhd, Malaysian, subsidiary company	156	156
Total	2,558	2,239
Less : Provision for diminution in value of investments	(2,402)	(2,083)
Net investments	156	156
Aggregate book value of unquoted investments	2,558	2,239
Aggregate provision for diminution in value of investments	(2,402)	(2,083)

11 Long-term loans and advances

	(Rs in lakhs)	
	As at	
	As at	
	31 March 2014	
	31 March 2013	
Unsecured, considered good		
Capital advances	4	229
Security deposits	32	24
Advance income tax, net of provision for tax	-	106
	36	359

12 Inventories

	(Rs in lakhs)	
	As at	
	As at	
	31 March 2014	
	31 March 2013	
Consumables	53	60
	53	60

13 Trade receivables

	(Rs in lakhs)	
	As at	
	As at	
	31 March 2014	
	31 March 2013	
Receivables outstanding for a period exceeding six months from the day they became due for payment		
Unsecured		
- considered good	1	8
- considered doubtful	-	-
	1	8
Other receivables		
Unsecured		
- considered good	2,058	1,977
- considered doubtful	-	-
	2,058	1,977
Less: Provision for doubtful receivables	-	-
	2,059	1,985

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended 31 March 2014

14 Cash and bank balances

	(Rs in lakhs)	
	As at 31 March 2014	As at 31 March 2013
Cash and cash equivalents		
Cash on hand	1	1
Balance with banks		
on current account	304	608
on deposit account (with original maturity of 3 months or less)	2,404	505
	<u>2,709</u>	<u>1,114</u>
Other bank balances (due to mature within 12 month of the reporting date)	13,366	6,380
	<u>16,075</u>	<u>7,494</u>

15 Short-term loans and advances

	(Rs in lakhs)	
	As at 31 March 2014	As at 31 March 2013
<i>Unsecured, considered good</i>		
Loans and advances to related parties *	213	232
Loans and advances to employees	2	23
Other loans and advances	370	410
<i>Unsecured, considered doubtful</i>		
Loans and advances to related parties **	-	1,434
Less: Provision for doubtful loans and advances ***	-	(1,434)
	<u>585</u>	<u>665</u>
* Loans and advances to related parties considered good		
Aurigene Discovery Technologies, Malaysia	130	86
Aurigene Discovery Technologies Inc- USA	83	146
** Loans and advances to related parties considered doubtful		
Aurigene Discovery Technologies Inc- USA	-	1,434
*** Refer note 22(m)		
<i>Other loans and advances include:</i>		
Prepaid expenses	157	146
Advances to suppliers	23	132
VAT input credit	64	84
Advance sales tax	-	11
Security deposits	4	4
Service tax input credit net	114	19
Other receivables	8	14
	<u>370</u>	<u>410</u>

16 Other current assets

Particulars	(Rs in lakhs)	
	As at 31 March 2014	As at 31 March 2013
Unbilled revenue	69	131
Interest accrued but not due	72	13
	<u>141</u>	<u>144</u>

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended 31 March 2014

17 Revenue from operations

	For the year ended 31 March 2014	(Rs in Lakhs) For the year ended 31 March 2013
Income from services	13,128	15,956
Other operating income	13	12
	13,141	15,968

18 Other income

	For the year ended 31 March 2014	(Rs in Lakhs) For the year ended 31 March 2013
Interest income	614	406
Foreign exchange gain	59	-
Other non-operating income	10	-
Profit on sale of fixed assets	-	2
	683	408

19 Employee benefits expense

	For the year ended 31 March 2014	(Rs in Lakhs) For the year ended 31 March 2013
Salaries and wages	4,447	3,906
Contribution to provident and other funds		
- Provident fund	199	187
- Superannuation scheme	8	7
Staff welfare expenses	170	138
	4,824	4,238

20 Finance costs

	For the year ended 31 March 2014	(Rs in Lakhs) For the year ended 31 March 2013
Interest on Income Tax	149	127
	149	127

21 Other expenses

Particulars	For the year ended 31 March 2014	(Rs in Lakhs) For the year ended 31 March 2013
Laboratory consumables	3,606	2,855
Power and fuel	491	504
Rent	148	155
Repairs and maintenance	-	-
Buildings	57	71
Plant and machinery	403	263
Others	337	263
Traveling and conveyance	268	297
Legal and professional charges	167	241
Business development	581	155
Communication	32	34
Membership and subscription	33	63
Rates and taxes	7	32
Insurance	35	34
Bank charges	22	19
Handling charges	80	69
Software expenses	158	124
Recruitment charges	7	7
Security charges	46	44
Safety and environmental charges	52	54
Printing and stationery	14	13
Foreign exchange loss	-	47
Assets discarded	48	-
Miscellaneous expenses	1	1
	6,593	5,345

Aurigene Discovery Technologies Limited
Notes to the financial statements (continued)

22. Notes to the financial statements

a) Commitments and contingent liabilities

(i) Estimated amount of contracts remaining to be executed on capital account and not provided for as at 31 March 2014 was Rs 29 lakhs (Previous year: Rs 311 lakhs).

(ii) The Bangalore Unit of the Company is registered as a 100% export oriented unit (“EOU”), and is exempted from customs and central excise duties and levies on imported and indigenous capital goods and stores and spares. The Company has executed legal undertakings to pay Customs duty, Central Excise duty, levies and liquidated damages payable, if any, in respect of imported and indigenous capital goods and stores and spares consumed duty free, in the event that certain terms and conditions are not fulfilled. As on 31 March 2014, the Company has a positive Net Foreign Exchange Earning, as defined in the Foreign Trade Policy 2009-2014.

b) Details of imported and indigenous lab consumables and spare parts consumed

(Rs in Lakhs)

Particulars	For the year ended 31 March 2014		For the year ended 31 March 2013	
	Value	Value	Value	% of total consumption
Lab consumables (excluding job work)				
Imported	1,935	54%	894	31%
Indigenous	1,671	46%	1,961	69%
Total	3,606	100%	2,855	100%
Spare parts (included in repairs and maintenance)				
Imported	98	24%	179	63%
Indigenous	305	76%	107	37%
Total	403	100%	286	100%

c) CIF value of imports

(Rs in Lakhs)

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Laboratory consumables	1,935	894
Capital goods	199	116
Spare parts	98	179
Total	2,232	1,189

d) Expenditure in foreign currency

(Rs in Lakhs)

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Travelling and conveyance	34	55
Legal and professional charges	80	15
Business development	334	-
Others	163	173
Total	611	243

e) Earnings in foreign currency

(Rs in Lakhs)

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Income from operations	11,784	14,970

Aurigene Discovery Technologies Limited
Notes to the financial statements (continued)

f) **Auditors' remuneration**

(Rs in Lakhs)

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Statutory audit	7	7
Out of pocket expenses	-	-
Total	7	7

* Excludes applicable service tax.

- g) Disclosure in respect of employee benefits under Accounting Standard (AS) – 15 (Revised) "Employee Benefits" prescribed by the Companies (Accounting Standards) Rules, 2006.

Gratuity plan

The following table sets out the status of the gratuity plan as required under Accounting Standard (AS) 15 – "Employee benefits".

Reconciliation of the defined benefit obligations

(Rs in Lakhs)

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Change in defined benefit obligation		
Opening defined benefit obligation	380	278
Current service cost	63	52
Interest cost	33	26
Actuarial losses	41	48
Benefits paid	(54)	(24)
Present value of defined benefit obligation	463	380
Fair value of plan assets	455	365
Closing value of defined benefit obligation	8	15

Change in the fair value of assets

(Rs in Lakhs)

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Opening fair value of plan assets	365	-
Contributions during the year	110	380
Benefits paid	(54)	(24)
Expected return on plan assets	34	9
Closing fair value of plan assets	455	365

Gratuity cost for the year

(Rs in Lakhs)

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Current service cost	63	52
Interest on defined benefit obligation	33	26
Net actuarial losses	41	48
Expected return on plan assets	(34)	(9)
Total, included in "Salaries and wages"	103	117

Aurigene Discovery Technologies Limited
Notes to the financial statements (continued)

Gratuity break-up

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Non-current portion	-	-
Current portion	8	15
Total	8	15

Assumptions at the valuation date

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Discount rate	9%	7.95%
Salary escalation rate	11% for first 2 years and 10% thereafter	10% for first 2 years and 9% thereafter
Average attrition rate	14.86%	14.97%

Salary escalation rate

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

Discount rate

The discount rate is based on the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated term of the obligations.

Average attrition rate

The attrition rate is computed on the average of current year and previous year attrition rate of employees resigning at various age groups.

Experience adjustments

Particulars	Year ended				
	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010
Defined benefit obligation	463	380	278	252	212
Plan assets	455	365	-	-	-
Surplus / (deficit)	(8)	(15)	(278)	(252)	(212)
Experience adjustment on plan liabilities	36	5	(2)	2	18
Experience adjustment on plan assets	5	-	-	-	-

Aurigene Discovery Technologies Limited
Notes to the financial statements (continued)

Long term incentives

Long term incentive is a rewarding plan for motivating employees who have been loyal to the Company and contributed to the growth of the Company. It is a defined benefit plan and is accrued based on actuarial valuation at each balance sheet date, carried out by an independent actuary. Given below are the key assumptions and the actuarial liability accounted in the books:

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Discount rate %	9%	7.95% p.a.
Increase in incentive amount %	0.00%	0.00%
Long term incentive liability in Rs. lakhs	345	-
Non-current portion in Rs. lakhs	345	-
Current portion in Rs. lakhs	-	-

h) Operating leases

The Company has certain premises under cancelable operating lease agreements. The total rental expense under cancelable operating leases is Rs 148 Lakhs (Previous year: Rs 155 Lakhs).

i) Deferred taxes

Components of deferred tax assets and liabilities and are:

Particulars	(Rs in Lakhs)	
	As at 31 March 2014	As at 31 March 2013
Deferred tax asset		
Fixed assets	124	64
Provision for Long term incentives	117	-
Others	-	2
Deferred tax asset	241	66

j) Earnings per share (EPS)

(Rs in Lakhs, except for share data)

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Calculation of weighted average number of equity shares of Rs 10 each		
Number of shares at the beginning of the year	90,544,104	90,544,104
Total number of equity shares outstanding at the end of the year	90,544,104	90,544,104
Weighted average number of equity shares outstanding during the year – Basic	90,544,104	90,544,104
Net profit after tax	793	3,720
Less: Preference dividend (including dividend distribution tax thereon)	-	138
Net profit after tax attributable to equity share holders	793	3,583
Basic earnings per share (Rs)	0.88	3.96
Number of potentially dilutive shares under options	-	-
Weighted average number of equity shares outstanding during the year – Diluted	90,544,104	90,544,104
Diluted earnings per share (Rs)	0.88	3.96

Aurigene Discovery Technologies Limited
Notes to the financial statements (continued)

k) Segment reporting

The Company undertakes research relating to drug discovery for its customers primarily based outside India. The entire business is reviewed by management as one since it has only one business and customers across the world do not have differing risks and rewards. All of its assets, except for receivables are in India (including all fixed assets). Accordingly, the Company has only one reportable business and geographical segment. Hence, in accordance with Para 25 of Accounting Standard 17: Segment Reporting the Company has not made any separate segmental disclosures.

l) Related party disclosures

- i. Parties where control exists;
 - Aurigene Discovery Technologies Inc., U.S.A - subsidiary company
 - Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia - subsidiary company
 - Dr. Reddy's Laboratories Ltd., Hyderabad -ultimate holding company
- ii. Other related parties with whom transactions have taken place during the year:
 - CJK Biomedical LLC, an entity in which a director is interested
 - Konticon APS, an entity in which a director is interested
 - Pcovery, an entity in which a director is interested
- iii. Particulars of related party transactions
 The following is a summary of significant related party transactions:

	(Rs in Lakhs)	
Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Advances to		
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia – subsidiary company	43	-
Aurigene Discovery Technologies Inc., U.S.A - subsidiary company	181	146
Advances repayment by		
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia – subsidiary company	-	269
Aurigene Discovery Technologies Inc., U.S.A - subsidiary company	244	-
Revenue from operations		
Dr. Reddy Laboratories Limited – Ultimate Holding Company	1,140	978
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia – Subsidiary Company	2,147	2,808
Pcovery, an entity in which a director is interested	222	160
Fixed assets purchased		
Dr. Reddy Laboratories Limited – Ultimate Holding Company	112	-
Fixed assets sold		
Dr. Reddy Laboratories Limited – Ultimate Holding Company	-	9
Lab consumables		
Dr. Reddy Laboratories Limited – Ultimate Holding Company	10	1

Aurigene Discovery Technologies Limited
Notes to the financial statements (continued)

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Power and fuel charges paid		
Dr. Reddy Laboratories Limited – Ultimate Holding Company	286	281
Lease rent paid		
Dr. Reddy Laboratories Limited – Ultimate Holding Company	142	150
Repairs and maintenance		
Dr. Reddy Laboratories Limited – Ultimate Holding Company	36	41
Membership and subscription		
Dr. Reddy Laboratories Limited – Ultimate Holding Company	39	35

Other expenses		
Dr. Reddy Laboratories Limited – Ultimate Holding Company	13	10
Expenses re-charged by Aurigene		
Dr. Reddy Laboratories Limited – Ultimate Holding Company	10	11
Business promotion expense		
CJK Biomedical LLC	35	36
Aurigene Discovery Technologies Inc., U.S.A - subsidiary company	332	-
Professional fee		
Konticon APS	-	6

The following amounts are due from related parties

(Rs in Lakhs)

Particulars	As at 31 March 2014	As at 31 March 2013
Due to related parties (included in current liabilities)		
Dr. Reddy Laboratories Limited – Ultimate Holding Company	122	67
Provision for intercompany expenses with Dr. Reddy Laboratories Limited – Ultimate Holding Company	26	-
Aurigene Discovery Technologies Inc	43	-
Due from related parties (included in trade receivables)		
Dr. Reddy Laboratories Limited – Ultimate Holding Company	207	194
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia – Subsidiary Company	777	890
Due from related parties (included in loans and advances)		
Aurigene Discovery Technologies Inc., U.S.A – Subsidiary Company, [refer note (m) below]	83	1,580
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia – Subsidiary Company	130	86
Dr. Reddy Laboratories Limited – Ultimate Holding Company	3	12

Aurigene Discovery Technologies Limited
Notes to the financial statements (continued)

The following are the details of the Company's investment in subsidiaries

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Investments		
Aurigene Discovery Technologies Inc., U.S.A. – Subsidiary Company	2,402	2,083
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia – Subsidiary Company	156	156
Provision for doubtful advances		
Aurigene Discovery Technologies Inc., U.S.A. – Subsidiary Company, [Refer note (m) below]	-	1,434
Provision for permanent diminution in value of investment		
Aurigene Discovery Technologies Inc., U.S.A. – Subsidiary Company	2,402	2,083

m) Amounts invested in /Recoverable from Aurigene Discovery Technologies Inc. U.S.A.

The Company has a wholly owned subsidiary - Aurigene Discovery Technologies Inc. in USA. Considering the financial position and recurring losses incurred by the subsidiary, the Company has assessed its investment in subsidiary for other than temporary diminution in the value. Accordingly, the Company had provided for its entire investment in its subsidiary towards diminution, being other than temporary.

The Company had advanced money in the form of share application money amounting to USD 0.72 million (equivalent to Rs 319 lakhs) to Aurigene Discovery Technologies Inc against which shares were allotted during the current financial year. Considering the financial position of the subsidiary and based on the evaluation of the recoverability of such investment, the Company had also provided for Rs 319 lakhs for diminution in the value of investments.

In 2004, Dr. Reddy's Laboratories Limited (DRL), the ultimate holding company had advanced, on behalf of the Company, an amount of USD 2.5 million (equivalent to Rs 1,115 lakhs) to Aurigene Discovery Technologies Inc., the wholly owned subsidiary of the Company. Based on the evaluation of recoverability of the advance, the Company had provided for the entire amount of advances in earlier years.

n) Micro, Small and Enterprises

The management has a process of identifying enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Further, The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allotted after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2014 has been made in the financial statements based on information received and available with the Company. Further in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the said Act is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act.

Aurigene Discovery Technologies Limited
Notes to the financial statements (continued)

(Amount in Lakhs)

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	Nil	Nil
The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day during the year;	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of the year;	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise.	Nil	Nil

o) Un-hedged significant foreign currency exposure

The year-end significant foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Particulars	Currency	Year ended 31 March 2014 Foreign currency	Year ended 31 March 2014 Rs. In lakhs	Year ended 31 March 2013 Foreign currency	Year ended 31 March 2013 Rs. In lakhs
Trade receivable	USD	3,030,397	1,841	3,194,009	1,786
	Euro	30,000		75,705	
Advance from customers	USD	66,625	41	785,212	373
Advances to suppliers/capital advances	USD	19,526	14	158,106	85
	EUR	1,548			
Trade payable	USD	150,701	115	125,319	123
	GBP	2,549		33,070	
	CAD	1,006		-	
	Euro	24,937		43,237	

- p) In February 2014 the Company entered into a collaborative license, development and commercialization agreement with a customer for a new cancer therapeutic in immuno-oncology: AUNP12, an immune checkpoint modulator targeting the PD-1 pathway. Under the terms of this agreement, the Company has received an upfront payment from the customer. The Company will also receive additional milestone payments based upon the continued development, regulatory progresses and commercialization of the molecule.

Aurigene Discovery Technologies Limited
Notes to the financial statements (continued)

- q) The Company has developed a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income Tax Act, 1961, which require existence of these records. The Management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.
- r) Previous year's figures have been regrouped and reclassified, wherever necessary, to conform to the current year's classification.

for B S R & Co. LLP
Chartered Accountants
Firm registration no. 101248W

for and on behalf of the Board
Aurigene Discovery Technologies Limited

Sampad Guha Thakurta
Partner
Membership No.: 060573

G.V. Prasad
Director

Satish Reddy
Director

Arwa Rangwala
Company Secretary

Ashish Lath
Director-Finance & Manager

Bangalore
Date: 01 May 2014

Date: 01 May 2014

Aurigene Discovery Technologies Limited

Statement pursuant to Section 212 of the Companies Act, 1956

Name of the Subsidiary	The Financial Year of the subsidiary company ended on	Number of shares in the subsidiary company held by Aurigene Discovery Technologies Ltd. at the above date				The net Aggregate of profits (losses) of the subsidiary company for it's financial year so far as they concern the members of Aurigene Discovery Technologies Ltd.		The net Aggregate of profits (losses) of the subsidiary company for it's previous financial years so far as they concern the members of Aurigene Discovery Technologies Ltd.		In Rs. Lakhs except no. of shares	
		Equity Shares	Preference Shares	Equity Holding %	Preference Holding %	a) Dealt with in the account of Aurigene Discovery Technologies Ltd. for the year ended 31.03.2014	b) Not dealt with in the account of Aurigene Discovery Technologies Ltd. for the year ended 31.03.2014	a) Dealt with in the account of Aurigene Discovery Technologies Ltd. for the year ended 31.03.2013	b) Not dealt with in the account of Aurigene Discovery Technologies Ltd. for the year ended 31.03.2013	Changes in the interest of Aurigene Discovery Technologies Ltd., between the end of the last financial year and 31 March 2014	Material changes between the end of the last financial year and 31 March 2014
Aurigene Discovery Technologies Inc.	31.03.2014	5,115,000	-	100	-	Nil	(192)	Nil	(96)	Nil	Nil
Aurigene Discovery Technologies (Malaysia) SDN BHD	31.03.2014	1,000,000	-	100	-	Nil	49	Nil	143	Nil	Nil

beta Institut gemeinnützige GmbH

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in thousands)

Particulars	31 March 2014	31 March 2013
Loss for the year after taxation	(131)	(932)
Balance brought forward	(932)	-
Balance carried forward to Balance Sheet	(1,063)	(932)

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of loss of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Michael Ewers
Director

Place: Hyderabad
Date: 9 May 2014

Auditors' Report

To
The Members of
beta Institut gemeinnützige GmbH

We have audited the accompanying financial statements of **beta Institut gemeinnützige GmbH**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
 - c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN: 002857S

A. Ramachandra Rao

Partner

Membership No.: 9750

Place: Hyderabad

Date: 9 May 2014

beta Institut gemeinnützige GmbH

Balance Sheet

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	5,401	5,401
Reserves and surplus	2.2	(3,039)	623
		<u>2,362</u>	<u>6,024</u>
Non current liabilities			
Other long term liabilities	2.3	-	-
		<u>-</u>	<u>-</u>
Current liabilities			
Trade payables	2.4	-	-
Other current liabilities	2.3	2,059	9,518
		<u>2,059</u>	<u>9,518</u>
	TOTAL	<u>4,421</u>	<u>15,542</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	270	297
		<u>270</u>	<u>297</u>
Current assets			
Cash and bank balances	2.6	4,068	15,175
Short term loans and advances	2.7	-	14
Other current assets	2.8	83	56
		<u>4,151</u>	<u>15,245</u>
	TOTAL	<u>4,421</u>	<u>15,542</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the **Board of Directors**

Michael Ewers

Director

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

beta Institut gemeinnützige GmbH**Statement of Profit and Loss**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Other income		20,910	19,682
Total revenue		20,910	19,682
Expenses			
Employee benefits expense	2.9	13,757	10,553
Finance costs	2.10	1	-
Depreciation and amortization expense	2.5	82	1,160
Other expenses	2.11	7,201	8,901
Total expenses		21,041	20,614
Loss before tax		(131)	(932)
Tax expense	2.13	-	-
Loss for the year		(131)	(932)

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

*for A Ramachandra Rao & Co.**Chartered Accountants*

ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao
Partner
Membership No. 9750**Michael Ewers**
DirectorPlace: Hyderabad
Date: 9 May 2014

beta Institut gemeinnützige GmbH
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“IGAAP”) under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ` 5,000/- are depreciated in full in the year of acquisition.

Management’s estimates of the useful lives for various categories of fixed assets are given below:

	Years
Furniture, fixtures and office equipment	3 to 10
Vehicles	4 to 5

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Gains or losses from disposal of tangible fixed assets are recognised in the statement of profit and loss.

e) Employee benefits

Defined contribution plans

Contributions payable, employee pension and social security schemes, which are defined contribution schemes, are charged to the statement of profit and loss account.

f) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

beta Institut gemeinnützige GmbH

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
Euro 100,000 (previous year : Euro 100,000)*	<u>5,401</u>	<u>5,401</u>
Issued		
Euro 100,000 (previous year : Euro 100,000)*	<u>5,401</u>	<u>5,401</u>
Subscribed and paid-up		
Euro 100,000 (previous year : Euro 100,000)*	<u>5,401</u>	<u>5,401</u>
	<u>5,401</u>	<u>5,401</u>

* No concept of nature and number of shares in this company.

Details of shareholders holding more than 5% shares capital in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	Amount in Euros ('000)	% of equity shares	Amount in Euros ('000)	% of equity shares
Reddy Holding GmbH	100	100	100	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Foreign currency translation reserve		
Balance at the beginning of the year	1,555	1,386
Movement during the year	<u>(3,531)</u>	<u>169</u>
	<u>(1,976)</u>	<u>1,555</u>
Deficit		
Balance at the beginning of the year	(932)	-
Add: Current year profit	<u>(131)</u>	<u>(932)</u>
Balance carried forward	<u>(1,063)</u>	<u>(932)</u>
	<u>(3,039)</u>	<u>623</u>

2.3 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Accrued expenses	1,698	8,687
Others	361	831
	<u>2,059</u>	<u>9,518</u>

beta Institut gemeinnützige GmbH

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.4 : Fixed assets

Description	Gross Block				Depreciation / Amortization					Net Block		
	As at 01.04.2013	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 01.04.2013	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Furniture and fixtures	9,328	-	-	1,769	11,097	9,031	82	-	1,714	10,827	270	297
Office equipments	9,307	-	-	1,693	11,000	9,307	-	-	1,693	11,000	-	-
Total tangible assets (A)	18,635	-	-	3,462	22,097	18,338	82	-	3,407	21,827	270	297
Patents and trademarks	5,532	-	-	-	5,532	5,532	-	-	-	5,532	-	-
Total intangible assets (B)	5,532	-	-	-	5,532	5,532	-	-	-	5,532	-	-
Total (A+B)	24,167	-	-	3,462	27,629	23,870	82	-	3,407	27,359	270	297
Previous year	24,252	-	1,047	962	24,167	21,971	1,160	130	869	23,870	297	

beta Institut gemeinnützige GmbH

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.5 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Cash on hand	10	-
Bank balances		
In current accounts	<u>4,058</u>	<u>15,175</u>
	<u>4,068</u>	<u>15,175</u>

2.6 : Short term loans and advances

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
<i>Considered good</i>		
Advances to material suppliers	<u>-</u>	<u>14</u>
	<u>-</u>	<u>14</u>

2.7 : Other current assets

	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Other current assets	<u>83</u>	<u>56</u>
	<u>83</u>	<u>56</u>

2.8 : Employee benefits expense

	For the year ended 31 March 2014	For the year ended 31 March 2013
Salaries, wages and bonus	11,945	8,792
Contribution to provident and other funds	1,688	1,697
Staff welfare expenses	<u>124</u>	<u>64</u>
	<u>13,757</u>	<u>10,553</u>

2.9 : Finance costs

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest expenses	<u>1</u>	<u>-</u>
	<u>1</u>	<u>-</u>

beta Institut gemeinnützige GmbH

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.10 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Legal and professional	117	403
Other selling expenses	558	8
Communication	378	341
Loss on sale of fixed assets, net	-	894
Other general expenses	6,148	7,255
	<u>7,201</u>	<u>8,901</u>

2.11 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.12 : The tax expense for the company is computed and presented together with the parent company's (Reddy Holding GmbH) financial statements as per the tax laws of Germany.

2.13 : Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.14 : The Company, incorporated in Germany, is a 100% subsidiary of Reddy Holding GmbH.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for **and on behalf of the Board of Directors**

A Ramachandra Rao
Partner
Membership No. 9750

Michael Ewers
Director

Place: Hyderabad
Date: 9 May 2014

betapharm Arzneimittel GmbH

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in lakhs)

Particulars	31 March 2014	31 March 2013
Profit / (loss) for the year after taxation	33,385	(11,235)
Balance brought forward	(32,830)	(21,595)
Balance carried forward to balance sheet	555	(32,830)

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of profit of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Michael Ewers
Director

Place: Hyderabad
Date: 9 May 2014

Abhijit Mukherjee
Director

Auditors' Report

To
The Members of
betapharm Arzneimittel GmbH

We have audited the accompanying financial statements of **betapharm Arzneimittel GmbH**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the profit for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
 - c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

betapharm Arzneimittel GmbH

Balance Sheet

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	598	598
Reserves and surplus	2.2	40,422	9,769
		41,020	10,367
Non current liabilities			
Long term borrowings	2.3	57,673	2,616
		57,673	2,616
Current liabilities			
Trade payables	2.4	7,059	23,100
Other current liabilities	2.5	19,524	31,433
Short term provisions	2.6	1,724	935
		28,307	55,468
	TOTAL	127,000	68,451
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	3,067	2,804
Intangible assets	2.7	14,376	1,434
Capital work-in-progress		-	79
Long term loans and advances	2.8	2	28,560
		17,445	32,877
Current assets			
Inventories	2.9	8,042	8,338
Trade receivables	2.10	18,399	9,834
Cash and bank balances	2.11	79,514	11,301
Short term loans and advances	2.12	1,354	3,723
Other current assets	2.13	2,246	2,378
		109,555	35,574
	TOTAL	127,000	68,451

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Michael Ewers

Director

Abhijit Mukherjee

Director

betapharm Arzneimittel GmbH**Statement of Profit and Loss**

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Sales, net		75,302	54,342
License fees		325	2,521
Revenue from operations		75,627	56,863
Other income	2.14	821	7
Total revenue		76,448	56,870
Expenses			
Purchase of stock-in-trade (traded goods)		24,045	34,405
Changes in inventories of work-in-progress and stock-in-trade	2.15	309	3,668
Conversion charges		227	279
Employee benefits expense	2.16	6,359	5,924
Finance costs	2.17	1,767	1,175
Depreciation and amortization expense	2.7	2,593	4,957
Other expenses	2.18	7,763	17,168
Total expenses		43,063	67,576
Profit before tax		33,385	(10,706)
Tax expense	2.21		
Current tax		-	(2)
Deferred tax		-	531
Profit for the year		33,385	(11,235)

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Michael Ewers

Director

Abhijit Mukherjee

Director

betapharm Arzneimittel GmbH

Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“IGAAP”) under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

Assets:

An asset is classified as current when it satisfies any of the following criteria:

- a) it is expected to be realised in, or is intended for sale or consumption in, the Company’s normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is expected to be realised within 12 months after the reporting date; or
- d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Liabilities:

A liability is classified as current when it satisfies any of the following criteria:

- a) it is expected to be settled in the Company’s normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is due to be settled within 12 months after the reporting date; or
- d) the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets/ liabilities include the current portion of non-current financial assets/ liabilities respectively. All other assets/ liabilities are classified as non-current.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Subsequent expenditure related to an item of tangible fixed asset is capitalised only if it increases the future benefits from the existing assets beyond its previously assessed standards of performance.

Advances paid towards acquisition of tangible fixed assets outstanding at each balance sheet date are shown under long-term loans and advances. Cost of assets not ready for intended use, as on the balance sheet date, is shown as capital work-in-progress.

betapharm Arzneimittel GmbH
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

d) *Tangible assets and depreciation (continued)*

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ₹ 5,000/- are depreciated in full in the year of acquisition.

Assets acquired on finance leases are depreciated over the period of the lease agreement or the useful life whichever is shorter. Leasehold improvements are depreciated over their estimated useful life, or the remaining period of lease, whichever is shorter.

Land is not depreciated.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Plant and machinery	3 to 15
Furniture and fixtures and office equipment	3 to 10
Vehicles	4 to 5

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Gains or losses from disposal of tangible fixed assets are recognised in the statement of profit and loss.

e) *Intangible assets and amortisation*

Intangible assets are recorded at the consideration paid for acquisition including any import duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use.

Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives, commencing from the date the asset is available to the Company for its use.

The management estimates the useful lives for the various intangible assets as follows:

	Years
Patents, trademarks and marketing rights	5 to 15

The amortisation period and the amortisation method for intangible assets are reviewed at each financial year-end.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and disposal. Gains or losses arising from the disposal of intangible asset are recognised in the statement of profit and loss.

f) *Inventories*

Inventories are valued at the lower of cost and net realisable value. Net realisable value (NRV) is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of all categories of inventory is determined using weighted average cost method.

g) *Employee benefits*

Defined contribution plans

The company's contributions to defined contribution plans are charged to statement of profit and loss as and when the services are received from the employees.

h) *Foreign currency transactions and balances*

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

betapharm Arzneimittel GmbH

Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

i) Revenue recognition

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is reasonably certain, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenue from the sale of goods is net of returns, sales tax and applicable trade discounts and allowances.

Sales returns

The Company accounts for sales returns by recording an allowance for sales returns concurrent with the recognition of revenue at the time of a product sale. This allowance is based on the Company's estimate of expected sales returns.

License fee

The Company enters into certain dossier sales, licensing and supply arrangements with various parties. Income from licensing arrangements is generally recognised over the term of the contract. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognized in the period in which the Company completes all its performance obligations.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

j) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

k) Leases

The lease arrangement is classified as either a finance lease or an operating lease, at the inception of the lease, based on

Finance leases

A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. A finance lease is recognized as an asset and a liability at the commencement of the lease, at the lower of the fair value of the asset and the present value of the minimum lease payments. Initial direct costs, if any, are also capitalized and, subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases

Other leases are operating leases, and the leased assets are not recognized on the Company's balance sheet. Payments made under operating leases are recognized in the statement of profit and loss on a straight-line basis over the term of the lease.

betapharm Arzneimittel GmbH

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
Euro 1,022,584 (previous year : Euro 1,022,584)*	<u>598</u>	<u>598</u>
Issued		
Euro 1,022,584 (previous year : Euro 1,022,584)*	<u>598</u>	<u>598</u>
Subscribed and paid-up		
Euro 1,022,584 (previous year : Euro 1,022,584)*	<u>598</u>	<u>598</u>
	<u>598</u>	<u>598</u>

* No concept of nature and number of shares in this company.

Details of shareholders holding more than 5% shares capital in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	Amount in Euros ('000)	% of equity shares	Amount in Euros ('000)	% of equity shares
Reddy Holding GmbH	1,023	100	1,023	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
<i>Foreign currency translation reserve</i>		
Balance at the beginning of the year	(31,257)	(68,480)
Movement during the year	<u>(2,732)</u>	<u>37,223</u>
	<u>(33,989)</u>	<u>(31,257)</u>
<i>Securities premium reserve</i>		
Balance at the beginning of the year	73,856	73,856
Movement during the year	<u>-</u>	<u>-</u>
	<u>73,856</u>	<u>73,856</u>
<i>Surplus / (Deficit)</i>		
Balance at the beginning of the year	(32,830)	(21,595)
Add: Current year profit / (loss)	<u>33,385</u>	<u>(11,235)</u>
Balance carried forward	<u>555</u>	<u>(32,830)</u>
	<u>40,422</u>	<u>9,769</u>

2.3 : Long term borrowings

	As at 31 March 2014	As at 31 March 2013
<i>Unsecured</i>		
Long term maturities of finance lease obligations	2,937	2,616
Borrowings from holding company and other group	<u>54,736</u>	<u>-</u>
	<u>57,673</u>	<u>2,616</u>

betapharm Arzneimittel GmbH**Notes to Financial Statements**

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements**2.4 : Trade payables**

	As at 31 March 2014	As at 31 March 2013
Payables to holding company and other group companies	5,231	10,050
Payables to others	<u>1,828</u>	<u>13,050</u>
	<u>7,059</u>	<u>23,100</u>

2.5 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Current maturities of finance lease obligations	92	6
Due to holding company and other group companies	5,340	1,257
Accrued expenses	13,896	30,170
Others	<u>196</u>	<u>-</u>
	<u>19,524</u>	<u>31,433</u>

2.6 : Short term provisions

	As at 31 March 2014	As at 31 March 2013
Allowance for sales returns	<u>1,724</u>	<u>935</u>
	<u>1,724</u>	<u>935</u>

betapharm Arzneimittel GmbH

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2 : Notes to the accounts (continued)

2.7 : Fixed assets

Description	Gross Block					Depreciation					Net Block	
	As at 01.04.2013	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 01.04.2013	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Land	963	-	-	183	1,146	-	-	-	-	-	1,146	963
Building (under finance lease)	2,750	-	-	505	3,255	1,193	134	-	224	1,551	1,704	1,556
Plant and machinery	561	-	-	98	659	533	17	-	92	642	17	28
Furniture and fixtures and office equipment	1,392	14	7	282	1,681	1,136	124	5	226	1,481	200	256
Vehicles	4	-	-	-	4	4	-	-	-	4	-	-
Total tangible assets (A)	5,670	14	7	1,068	6,745	2,866	275	5	542	3,678	3,067	2,804
Patents, trademarks and marketing rights	98,137	14,955	-	18,769	131,861	96,703	2,318	-	18,464	117,485	14,376	1,434
Total intangible assets (B)	98,137	14,955	-	18,769	131,861	96,703	2,318	-	18,464	117,485	14,376	1,434
Total (A+B)	103,807	14,969	7	19,837	138,606	99,569	2,593	5	19,006	121,163	17,443	4,238
Previous year	101,000	359	167	2,846	103,807	91,947	4,957	92	2,497	99,569	4,238	

betapharm Arzneimittel GmbH

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.8 : Long term loans and advances

(Unsecured)	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Loan to holding company and other group companies	-	28,379
Security deposits	<u>2</u>	<u>181</u>
	<u>2</u>	<u>28,560</u>

2.9 : Inventories

(Valued on weighted average basis)

	As at 31 March 2014	As at 31 March 2013
Raw materials	18	6
Work-in-progress	69	131
Stock-in-trade	<u>7,954</u>	<u>8,201</u>
	<u>8,042</u>	<u>8,338</u>

2.10 : Trade receivables

(Unsecured)	As at 31 March 2014	As at 31 March 2013
Debts outstanding for a period exceeding six months		
Considered doubtful	62	43
Other debts		
Considered good	<u>18,399</u>	<u>9,834</u>
	18,461	9,877
<i>Less</i> : Provision for doubtful debts	<u>(62)</u>	<u>(43)</u>
	<u>18,399</u>	<u>9,834</u>

2.11 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Cash on hand	2	-
Bank balances		
In current accounts	<u>31,555</u>	<u>11,301</u>
Cash and cash equivalents (A)	<u>31,557</u>	<u>11,301</u>
In term deposit accounts (original maturity more than 3 months)	47,957	-
Other bank balances (B)	<u>47,957</u>	<u>-</u>
Total cash and bank balances (A+B)	<u>79,514</u>	<u>11,301</u>

2.12 : Short term loans and advances

(Unsecured)	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Staff loans and advances	-	1
Advances to material suppliers	40	-
Prepaid expenses	41	1,637
Other advances	<u>1,273</u>	<u>2,085</u>
	<u>1,354</u>	<u>3,723</u>

betapharm Arzneimittel GmbH

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.13 : Other current assets

	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Other receivables from holding company and other group companies	2,122	103
Interest accrued but not due on term deposits	124	-
Other current assets	-	2,275
	<u><u>2,246</u></u>	<u><u>2,378</u></u>

2.14 : Other income

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest income	821	7
	<u><u>821</u></u>	<u><u>7</u></u>

2.15 : Changes in inventories of work-in-progress and stock-in-trade

	For the year ended 31 March 2014	For the year ended 31 March 2013
<i>Opening</i>		
Work-in-progress	131	11
Stock-in-trade	8,201	11,989
	<u>8,332</u>	<u>12,000</u>
<i>Closing</i>		
Work-in-progress	69	131
Stock-in-trade	7,954	8,201
	<u>8,023</u>	<u>8,332</u>
<i>Net decrease</i>	<u><u>309</u></u>	<u><u>3,668</u></u>

2.16 : Employee benefits expense

	For the year ended 31 March 2014	For the year ended 31 March 2013
Salaries, wages and bonus	5,897	5,524
Contribution to provident and other funds	360	400
Staff welfare expenses	102	-
	<u><u>6,359</u></u>	<u><u>5,924</u></u>

2.17 : Finance costs

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest expenses	1,767	1,175
	<u><u>1,767</u></u>	<u><u>1,175</u></u>

betapharm Arzneimittel GmbH**Notes to Financial Statements**

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.18 : Other expenses**

	For the year ended 31 March 2014	For the year ended 31 March 2013
Legal and professional	296	198
Carriage outward	710	1,351
Rates and taxes	1,153	1,020
Other selling expenses	2,190	1,722
Travelling and conveyance	55	52
Communication	36	32
Rent	3	5
Insurance	159	209
Foreign exchange loss, net	560	-
Provision for doubtful debts and advances	16	35
Loss on sale of fixed assets, net	2	254
Auditors' remuneration	64	25
Other general expenses	2,519	12,265
	<u>7,763</u>	<u>17,168</u>

betapharm Arzneimittel GmbH

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.19: Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.20: Related party disclosures

a. The Company has following related party transactions:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
i. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	11,361	18,069
Dr. Reddy's Laboratories (UK) Limited	200	139
ii. Purchases of assets from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	7,850	3263
iii. Guarantee commission paid / payable to holding company and group companies:		
Dr. Reddy's Laboratories Limited	108	313
Dr. Reddy's Laboratories SA	20	-
iv. Sales and services to holding company and group companies:		
Dr. Reddy's Laboratories Inc.	31,973	4,503
v. Reimbursement of operating and other expenses by holding company and other group companies:		
Dr. Reddy's Laboratories Limited	87	291
vi. Interest paid / payable to holding company and other group companies:		
Reddy Holding GmbH	1,626	-

b. The Company has following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due from holding company and other group companies (included in long term loans and advances):		
Reddy Holding GmbH	-	28,379
ii. Due from holding company and other group companies (included in trade receivables and other current assets):		
Dr. Reddy's Laboratories Inc.	13,157	1,713
Dr. Reddy's Laboratories Limited	2,122	103
iii. Due to holding company and other group companies (included in trade payables and other current liabilities):		
Dr. Reddy's Laboratories Limited	10,462	11,307
Dr. Reddy's Laboratories (UK) Limited	109	-
vi. Due to holding company and other group companies (included in long term borrowings):		
Reddy Holding GmbH	54,736	-

betapharm Arzneimittel GmbH
Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.21: The tax expense for the Company is computed and presented together with the parent Company's (Reddy Holding GmbH) financial statement as per the tax laws of Germany.

2.22: The company has taken buildings under finance lease. Future minimum lease payments under finance leases as at 31 March 2014 are as follows:

Particulars	Present value of minimum lease payments	Future interest	Minimum lease payments
Not later than 1 year	92	1	93
Later than 1 year and not later than 5 years	431	2	433
Beyond 5 years	2,506	13	2,519
Total	3,029	16	3,045

The company has taken buildings under finance lease. Future minimum lease payments under finance leases as at 31 March 2013 are as follows:

Particulars	Present value of minimum lease payments	Future interest	Minimum lease payments
Not later than 1 year	89	1	90
Later than 1 year and not later than 5 years	443	2	445
Beyond 5 years	2,086	11	2,097
Total	2,618	14	2,632

2.23: Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification

2.24: The Company, incorporated in Germany, is a 100% Subsidiary of Reddy Holding GmbH.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Satish Reddy

Director

A Ramachandra Rao

Partner

Membership No. 9750

G.V. Prasad

Director

Place: Hyderabad

Date: 9 May 2014

Chemnor Investments Limited

Directors' Report

Dear Members,

Your Directors present the 24th Annual Report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in thousands)

Particulars	31 March 2014	31 March 2013
Loss for the period after taxation	(11)	(18)
Balance brought forward	(155)	(137)
Balance carried forward to balance sheet	(166)	(155)

Operations

The Company did not have any operations during the year.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2014.

Share capital

During the year under review, there was no change in the share capital of the Company.

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of loss of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Directors

1. Mr. Satish Reddy, retires by rotation at the ensuing Annual General Meeting scheduled on 28 July 2014 and being eligible seeks re-appointment. Your Directors recommend his re-appointment for your approval at the ensuing AGM.
2. Mr. G V Prasad resigned from the Board of Directors of the Company and ceases to a Director of the Company with effect from 30 October 2013. The Board accorded its deep appreciation for the services rendered by him during his term.
3. The Board of Directors has appointed Dr. R Ananthanarayanan as an Additional Director on the Board of Directors of the Company on 30 October 2013. He will hold this office till the conclusion of the 24th Annual General Meeting of the Company. Requisite notice under Section 160 of the Companies Act, 2013 has been received from a member proposing his appointment. It is proposed to appoint him as a Director of the Company liable to retire by rotation. The resolution for the same has been included in the notice of the 24th Annual General Meeting of the Company.

Chemisor Investments Limited

Directors' Report

Auditors

The Statutory Auditors of the Company M/s. A. Ramachandra Rao & Co., Chartered Accountants, retire at the ensuing 24th Annual General Meeting and have confirmed their eligibility and willingness to accept office of auditors, if re-appointed. The Board of Directors recommend the re-appointment of M/s. A. Ramachandra Rao & Co., Chartered Accountants as Statutory Auditors of the Company for the financial year 2014-15 for shareholder's approval.

Compliance Certificate

Pursuant to the provisions of Section 383A of the Companies Act, 1956, a certificate has been obtained from a Company Secretary in whole time practice with regard to compliance with the provisions of the Companies Act, 1956.

Particulars of Employees

There are no employees who are drawing salary more than the amount as specified under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended from time to time. Hence the relevant provisions are not applicable to your Company.

Conservation of energy, research and development technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your directors place on record their sincere appreciation for support and co-operation extended by all the concerned to the Company during the year.

for and on behalf of the Board of Directors

Saumen Chakraborty
Director

Place: Hyderabad
Date: 9 May 2014

R Ananthanarayanan
Director

Independent Auditors' Report

To
**The Members of
Cheminor Investments Limited**

We have audited the accompanying financial statements of **Cheminor Investments Limited** which comprise the Balance Sheet as at 31 March 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date; and
- (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

As required by section 227(3) of the Act, we report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.

- c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
- e) on the basis of written representations received from the directors as on 31 March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

for **A.Ramachandra Rao & Co**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No. : 9750

Place: Hyderabad
Date: 9 May 2014

ANNEXURE TO THE AUDITORS' REPORT

Re: Cheminor Investments Limited

- i. a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
b) All the Fixed Assets have not been physically verified by the management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets and to the best of our knowledge no material discrepancies were noticed on such verification;.
c) In our opinion, the Company has not disposed off substantial part of fixed assets during the year and the going concern status of the Company is not affected.
- ii. The company does not have any inventories and hence, in our opinion, clauses 4(ii)(a) to (c) are not applicable to the company.
- iii. Based on the information and explanations provided to us, the company has not granted any loans to companies, firms or other parties covered under the register maintained u/s 301 of the Act. However, the Company has taken unsecured loan from companies, firms or other parties covered in the register maintained u/s 301 of the Act. The no. of parties involved is 1 (one) and the amount involved is ` 7,161/-. In our opinion, the rate and other terms and conditions in respect of the said loan are prima facie not prejudicial to the interest of the company. Based on the information provided to us, the repayment of principal, if any, are regular as agreed upon.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the company and the nature of its business. The activities of the Company do not involve purchase of inventory and sale of goods. During the course of our audit, we have not observed any major weaknesses in internal control system.
- v. In our opinion, and according to the information and explanations given to us, we are of the opinion that the company has not entered into any transactions that need to be entered into the register maintained under section 301 of the companies act 1956 and hence the Sub clause (v) is not applicable to the company for the year.
- vi. Based on the information provided to us, in our opinion, the Company has not accepted any Deposits from the public during the year and hence, in our opinion, the Clause 4(vi) is not applicable to the company for the year;
- vii. We are of the opinion, based on the information provided to us, that the Central Government has not prescribed any accounts and records, which are required to be maintained under section 209(1)(d) of the Act.
- viii. (a) According to the records of the company, the company is regular in depositing the undisputed statutory dues including Sales tax, Income-tax, Customs duty, Excise duty and Employees State Insurance and Provident Fund and cess, investor education fund with the appropriate authorities. We have been informed that the provisions of Employees state Insurance, Wealth tax and excise duty are not applicable to the company.
(b) According to the information and explanations given to us, there are no dues of sales tax/income tax/ customs duty/Wealth tax /excise duty/cess to be deposited on account of any dispute;
c) Further, since the Central Government has till date not prescribed the amount of cess payable under section 441A of the companies act 1956,we are not in a position to comment upon the regulatory or otherwise of the company in depositing the same.
- ix. In our opinion the accumulated losses of the company are not more than fifty percent of its net worth. The company has incurred cash losses during the financial year covered by our audit and immediately preceding the financial year.
- x. Based on the information provided and explanation given to us, the company has not taken any loans from banks and hence the clause 4(xi) is not applicable to the company for the year.

- xi. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the company on the basis of security by way of pledge of shares, debentures and other securities.
- xii. In our opinion, the Company is not a Chit fund or Nidhi / Mutual Benefit Fund / Society and hence clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
- xiii. Based on the information given to us, the Company has not dealt or traded in shares, securities, debentures or other investments during the year.
- xiv. Based on the information provided to us, the Company has not given guarantees for loans taken by others from Banks or Financial Institutions.
- xv. According to the information and explanations given to us, the company has not obtained any term loans during the year and hence clause 4(xvi) of the order is not applicable to the company.
- xvi. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we are of the opinion that the Company has no short-term sources of funds. Thus, paragraph 4(xvii) of the order is not applicable.
- xvii. Based on the information provided and explanations offered, during the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained u/s 301 of the Companies Act 1956 and hence sub clause (xvii) of the order is not applicable to the company for the year.
- xviii. The Company has not issued any debentures and not created any securities or charges in respect of any debentures.
- xix. The Company has not raised any money by way of Public Issue during the year.
- xx. In our opinion and according to the information provided and explanations offered to us, no fraud on or by the Company has been noticed or reported during the year.

for **A.Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN: 002857S

A. Ramachandra Rao

Partner

Membership No.: 9750

Place: Hyderabad

Date: 9 May 2014

Cheminor Investments Limited
Balance Sheet

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,346	1,346
Reserves and surplus	2.2	(166)	(155)
		1,180	1,191
Non current liabilities			
Long term borrowings	2.3	7	7
		7	7
Current liabilities			
Other current liabilities	2.4	35	24
		35	24
	TOTAL	1,222	1,222
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	1,209	1,209
		1,209	1,209
Current assets			
Cash and bank balances	2.6	13	13
		13	13
	TOTAL	1,222	1,222

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Saumen Chakraborty

Director

R Ananthanarayanan

Director

Chemisor Investments Limited**Statement of Profit and Loss**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Total revenue		-	-
Expenses			
Other expenses	2.7	11	18
Total expenses		<u>11</u>	<u>18</u>
Loss before tax		(11)	(18)
Tax expense		-	-
Loss for the year		<u>(11)</u>	<u>(18)</u>
Earnings per share	2.9		
Basic - Par value ` 10/- per share		(0.08)	(0.14)
Diluted - Par value ` 10/- per share		(0.08)	(0.14)
Number of shares used in computing earnings per share			
Basic		134,513	134,513
Diluted		134,513	134,513

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

*for A Ramachandra Rao & Co.**Chartered Accountants*

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Saumen Chakraborty

Director

R Ananthanarayanan

Director

Cheminor Investments Limited
Cash Flow Statement

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	For the year ended 31 March 2014	For the year ended 31 March 2013
Cash flow from operating activities		
Loss for the year	(11)	(18)
Adjustments:		
Bad Debts written off	-	7
Operating profit before working capital changes	(11)	(11)
<i>Changes in operating assets and liabilities</i>		
Other current liabilities	11	11
Cash generated from Operations	-	-
Income tax paid	-	-
Net cash provided by operating activities	-	-
Cash flows from/(used in) investing activities	-	-
Cash flows from/(used in) financing activities	-	-
Net increase/(decrease) in cash & bank balances	-	-
Cash & bank balances at the beginning of the year	13	13
Cash & bank balances at the end of the year	13	13

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN No.: 002857S

for and on behalf of the **Board of Directors**

A Ramachandra Rao

Partner

Membership No.: 9750

Saumen Chakraborty

Director

Place: Hyderabad

Date: 9 May 2014

R Ananthanarayanan

Director

Chemnor Investments Limited
Significant accounting Policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“IGAAP”) under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Land is not depreciated.

e) Earnings per share

The basic earnings per share (“EPS”) is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares, if any.

f) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Cheminor Investments Limited

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
150,000 (previous year : 150,000) equity shares of ` 10/- each	1,500	1,500
200 (previous year : 200) 12% cumulative redeemable preference shares of ` 100/- each	20	20
	1,520	1,520
Issued		
134,513 (previous year : 134,513) equity shares of ` 10/- each fully paid up	1,345	1,345
8 (previous year : 8) 12% cumulative redeemable preference shares of ` 100/- each fully paid up	1	1
	1,346	1,346
Subscribed and paid-up		
134,513 (previous year : 134,513) equity shares of ` 10/- each fully paid up	1,345	1,345
8 (previous year : 8) 12% cumulative redeemable preference shares of ` 100/- each fully paid up	1	1
	1,346	1,346

(a) Reconciliation of the equity shares outstanding is set out below:

Equity Shares

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of shares	Amount	No. of shares	Amount
Number of shares outstanding at the beginning of the year	134,513	1,345	134,513	1,345
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	134,513	1,345	134,513	1,345

Preference Shares

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of shares	Amount	No. of shares	Amount
Number of shares outstanding at the beginning of the year	8	1	8	1
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	8	1	8	1

(b) Terms/rights attached to shares

The company has two class of shares consisting of equity shares having a par value of ` 10/- per share and 12% cumulative redeemable preference shares having a par value of ` 100/- per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of shares	% of shares	No. of shares	% of shares
Equity Shares				
Dr. Reddy's Laboratories Limited (including shares held by nominees)	134,513	100	134,513	100
Preference Shares				
G V Prasad	4	50	4	50
Dr. K Anji Reddy	-	-	2	25
K Deepti Reddy	2	25	2	25
Saumen Chakraborty	2	25	-	-

Chemisor Investments Limited**Notes to Financial Statements**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.2 : Reserves and surplus**

	As at 31 March 2014	As at 31 March 2013
<i>Deficit</i>		
Balance at the beginning of the year	(155)	(137)
Add: Current year loss	(11)	(18)
Balance carried forward	<u>(166)</u>	<u>(155)</u>

2.3 Long term borrowings

	As at 31 March 2014	As at 31 March 2013
<i>Unsecured</i>		
Long term borrowings from holding company	<u>7</u>	<u>7</u>
	<u>7</u>	<u>7</u>

2.4 Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Other current liabilities	<u>35</u>	<u>24</u>
	<u>35</u>	<u>24</u>

Chemisor Investments Limited**Notes to Financial Statements**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.5 : Fixed assets**

Description	Gross Block				Depreciation				Net Block	
	As at 01.04.2013	Additions	Deletions	As at 31.03.2014	As at 01.04.2013	For the year	Deletions	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Land	1,209	-	-	1,209	-	-	-	-	1,209	1,209
Total tangible assets	1,209	-	-	1,209	-	-	-	-	1,209	1,209
Previous year	1,209	-	-	1,209	-	-	-	-	1,209	

Chemnor Investments Limited**Notes to Financial Statements**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.6 : Cash and bank balances**

	As at 31 March 2014	As at 31 March 2013
Bank balances		
In current accounts	13	13
	<u>13</u>	<u>13</u>

2.7 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Auditors' remuneration	11	11
Bad debts written off	-	7
	<u>11</u>	<u>18</u>

2.8 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.9 : Earnings per share

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
Loss for the year	(11)	(18)
Shares:		
Weighted average number of equity shares outstanding during the year - Basic	134,513	134,513
Weighted average number of equity shares outstanding during the year - Diluted	134,513	134,513
Basic Earnings/(Loss) in ` per share	(0.08)	(0.14)
Diluted Earnings/(Loss) in ` per share	(0.08)	(0.14)

2.10 : Comparative Figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.11 : Related party disclosures

The company has the following amounts due to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due to holding company (included in long term borrowings):		
Dr. Reddy's Laboratories Limited	7	7

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Saumen Chakraborty

Director

R Ananthanarayanan

Director

Chienna B.V.
Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the period 1 April 2013 to 31 March 2014 as compared to the period 15 February 2013 to 31 March 2013:

(€ in thousands)

Particulars	1 April 2013 to 31 March 2014	15 February 2013 to 31 March 2013
Loss for the period after taxation	(146,735)	(12,503)
Balance brought forward	(511,535)	(499,032)
Balance carried forward to balance sheet	(658,270)	(511,535)

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of loss of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Place: Hyderabad
Date: 9 May 2014

OctoPlus N.V.
Director

Auditors' Report

To
The Members of
Chienna B.V.

We have audited the accompanying financial statements of **Chienna B.V.**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

Chienna B.V.
Balance Sheet

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,405	1,405
Reserves and surplus	2.2	<u>(657,141)</u>	<u>(426,843)</u>
		<u>(655,736)</u>	<u>(425,438)</u>
Current liabilities			
Short term borrowings	2.3	-	5,147
Other current liabilities	2.4	<u>1,089,597</u>	<u>765,380</u>
		<u>1,089,597</u>	<u>770,527</u>
	TOTAL	<u>433,861</u>	<u>345,089</u>
ASSETS			
Current assets			
Cash and bank balances	2.5	47	18
Short term loans and advances	2.6	<u>433,814</u>	<u>345,071</u>
		<u>433,861</u>	<u>345,089</u>
	TOTAL	<u>433,861</u>	<u>345,089</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao
Partner
Membership No. 9750

OctoPlus N.V.
Director

Place: Hyderabad
Date: 9 May 2014

Chienna B.V.
Statement of Profit and Loss

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
Income			
Interest income		20,469	2,889
Total revenue		<u>20,469</u>	<u>2,889</u>
Expenses			
Employee benefits expense	2.7	117,794	8,682
Finance costs		47,835	6,137
Other expenses	2.8	1,575	573
Total expenses		<u>167,204</u>	<u>15,392</u>
Loss before tax		(146,735)	(12,503)
Tax expense	2.11	-	-
Loss for the period		<u>(146,735)</u>	<u>(12,503)</u>

Significant accounting policies 1
The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the **Board of Directors**

A Ramachandra Rao
Partner
Membership No. 9750

OctoPlus N.V.
Director

Place: Hyderabad
Date: 9 May 2014

Chienna B.V.

Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“IGAAP”) under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Employee benefits

Defined contribution plans

The company's contributions to defined contribution plans are charged to statement of profit and loss as and when the services are received from the employees.

e) Foreign currency transactions and balances

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

f) Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

g) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Chienna B.V.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
90,000 (previous year : 90,000) shares of Euro 1 each	<u>6,426</u>	<u>6,426</u>
Issued		
19,680 (previous year : 19,680) shares of Euro 1 each	<u>1,405</u>	<u>1,405</u>
Subscribed and paid-up		
19,680 (previous year : 19,680) shares of Euro 1 each	<u>1,405</u>	<u>1,405</u>
	<u>1,405</u>	<u>1,405</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	19,680	1,405	19,680	1,405
Add : Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	19,680	1,405	19,680	1,405

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of Euro 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
OctoPlus N.V.	19,680	100	19,680	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Foreign currency translation reserve		
Balance at the beginning of the period	148	-
Movement during the period	<u>(83,563)</u>	<u>148</u>
	<u>(83,415)</u>	<u>148</u>
Securities premium reserve		
Balance at the beginning of the period	562,215	562,215
Movement during the period	<u>-</u>	<u>-</u>
	<u>562,215</u>	<u>562,215</u>
General Reserve		
Balance at the beginning of the period	(477,671)	(477,671)
Movement during the period	<u>-</u>	<u>-</u>
	<u>(477,671)</u>	<u>(477,671)</u>
Deficit		
Balance at the beginning of the period	(511,535)	(499,032)
Add: Current period loss	<u>(146,735)</u>	<u>(12,503)</u>
Balance carried forward	<u>(658,270)</u>	<u>(511,535)</u>
	<u>(657,141)</u>	<u>(426,843)</u>

Chienna B.V.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.3 : Short term borrowings

	As at 31 March 2014	As at 31 March 2013
<i>Secured</i>		
Bank overdraft	-	5,147
	<u>-</u>	<u>5,147</u>

2.4 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Due to holding company and other group companies	1,079,141	756,700
Accrued expenses	8,382	6,361
Others	2,074	2,319
	<u>1,089,597</u>	<u>765,380</u>

2.5 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Bank balances		
In current accounts	47	18
	<u>47</u>	<u>18</u>

2.6 : Short term loans and advances

	As at 31 March 2014	As at 31 March 2013
<i>(Unsecured)</i>		
<i>Considered good</i>		
Advances to holding company and other group companies	430,213	342,971
Staff loans and advances	4	39
Balances with statutory agencies	-	690
Prepaid expenses	3,597	1,371
	<u>433,814</u>	<u>345,071</u>

2.7 : Employee benefits expense

	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
Salaries, wages and bonus	84,009	6,969
Contribution to provident and other funds	17,225	1,545
Staff welfare expenses	16,560	168
	<u>117,794</u>	<u>8,682</u>

Chienna B.V.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.8 : Other expenses

	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
Legal and professional	169	10
Travelling and conveyance	117	7
Foreign exchange loss, net	28	-
Bank charges	165	1
Other general expenses	1,096	555
	<u>1,575</u>	<u>573</u>

Chienna B.V.
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.9 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.10 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
i. Interest received from holding company and other group companies:		
OctoShare B.V.	8,752	1,240
OctoPlus Technologies B.V.	11,436	1,610
OctoPlus Sciences B.V.	281	39
ii. Interest paid / payable to holding company and other group companies:		
OctoPlus Development B.V.	20,614	2,901
OctoPlus N.V.	27,221	2,950

b. The Company has the following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due from holding company and other group companies (included in short term loans and advances):		
OctoShare B.V.	184,864	146,796
OctoPlus Technologies B.V.	239,475	191,478
OctoPlus Sciences B.V.	5,874	4,697
ii. Due to holding company and other group companies (included in other current liabilities):		
OctoPlus Development B.V.	432,910	345,008
OctoPlus N.V.	646,231	411,692

2.11 : The tax expense for the company is computed and presented together with the parent company's (OctoPlus N.V.) financial statements as per the tax laws of Netherlands.

2.12 : Comparative figures

The company was acquired by Reddy Netherlands B.V. on 15 February 2013, accordingly, the comparative information for the statement of profit and loss is presented for the period from 15 February 2013 to 31 March 2013.

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.13 : The company, incorporated in Netherlands, is a 100 % subsidiary of OctoPlus N.V.

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao
Partner
Membership No. 9750

OctoPlus N.V.
Director

Place: Hyderabad
Date: 9 May 2014

Chirotech Technology Limited

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in thousands)

Particulars	31 March 2014	31 March 2013
Loss for the year after taxation	(106,876)	(125,352)
Balance brought forward	(1,339,548)	(1,214,196)
Balance carried forward to balance sheet	(1,446,424)	(1,339,548)

Share Capital

The Company has received additional investment, amounting to Euro 10 Mn in equity share capital, from the holding company Dr. Reddy's Laboratories (EU) Limited.

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of loss of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

R Ananthanarayanan
Director

Place: Hyderabad
Date: 9 May 2014

V V Parsuram
Director

Auditors' Report

To
**The Members of
Chirotech Technology Limited**

We have audited the accompanying financial statements of **Chirotech Technology Limited**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN: 002857S

A. Ramachandra Rao

Partner

Membership No.: 9750

Place: Hyderabad

Date: 9 May 2014

Chirotech Technology Limited
Balance Sheet

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,060,004	66,734
Reserves and surplus	2.2	(906,464)	(652,554)
		153,540	(585,820)
Non current liabilities			
Long term borrowings	2.3	-	19
Deferred tax liabilities, net	2.17	7,508	2,854
Other long term liabilities	2.5	210	863
		7,718	3,736
Current liabilities			
Trade payables	2.4	309,684	875,064
Other current liabilities	2.5	287,760	270,622
		597,444	1,145,686
	TOTAL	758,702	563,602
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	125,008	85,790
Intangible assets	2.6	1,151	1,423
Capital work-in-progress		21,747	10,882
Long term loans and advances	2.7	1,619	56,543
		149,525	154,638
Current assets			
Inventories	2.8	3,393	10,631
Trade receivables	2.9	390,757	311,747
Cash and bank balances	2.10	56,449	30,432
Short term loans and advances	2.11	77,380	54,772
Other current assets	2.12	81,198	1,382
		609,177	408,964
	TOTAL	758,702	563,602

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

for and on behalf of the Board of Directors

R Ananthanarayanan

Director

V V Parsuram

Director

Place: Hyderabad

Date: 9 May 2014

Chirotech Technology Limited
Statement of Profit and Loss

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Sales, net		479,339	747,765
Service income		563,482	45,888
Other operating revenues		7,767	21,665
Total revenue		<u>1,050,588</u>	<u>815,318</u>
Expenses			
Cost of material consumed (including packing material consumed)		386,129	515,936
Changes in inventories of finished goods and work-in-progress	2.13	(1,008)	1,803
Conversion charges		8,960	-
Employee benefits expense	2.14	393,974	180,776
Depreciation and amortization expense	2.6	30,278	23,329
Other expenses	2.15	226,257	208,934
Total expenses		<u>1,044,590</u>	<u>930,778</u>
Profit/ (Loss) before tax		5,998	(115,460)
Tax expense			
Current tax		108,747	-
Deferred tax expense		4,127	9,892
Profit/ (Loss) for the year		<u>(106,876)</u>	<u>(125,352)</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

R Ananthanarayanan

Director

V V Parsuram

Director

Chirotech Technology Limited
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“IGAAP”) under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Subsequent expenditure related to an item of tangible fixed asset is capitalised only if it increases the future benefits from the existing assets beyond its previously assessed standards of performance.

Advances paid towards acquisition of tangible fixed assets outstanding at each balance sheet date are shown under long-term loans and advances. Cost of assets not ready for intended use, as on the balance sheet date, is shown as capital work-in-progress.

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ` 5,000/- are depreciated in full in the year of acquisition. Leasehold improvements are depreciated over their estimated useful life, or the remaining period of lease, whichever is shorter.

Management’s estimates of the useful lives for various categories of fixed assets are given below:

	Years
Plant and machinery	3 to 15
Laboratory equipment	5 to 15
Furniture and fixtures and office equipment	3 to 10

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Gains or losses from disposal of tangible fixed assets are recognised in the statement of profit and loss.

Chirotech Technology Limited
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

e) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition including any import duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use.

Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives, commencing from the date the asset is available to the Company for its use.

The management estimate of the useful life of the intangible assets is follows:

	Years
Patents and trademarks	5 to 15

The amortisation period and the amortisation method for intangible assets are reviewed at each financial year-end.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and disposal. Gains or losses arising from the disposal of intangible asset are recognised in the statement of profit and loss.

f) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value (NRV) is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of all categories of inventory is determined using weighted average cost method.

g) Foreign currency transactions and balances

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

h) Revenue recognition

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is reasonably certain, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenue from the sale of goods is net of returns, sales tax and applicable trade discounts and allowances.

Sales returns

The Company accounts for sales returns by recording an allowance for sales returns concurrent with the recognition of revenue at the time of a product sale. This allowance is based on the Company's estimate of expected sales returns.

Service Income

Revenue from services rendered, which primarily relate to contract research, is recognized in the statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.

Chirotech Technology Limited
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

i) *Income-tax expense*

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed at each balance sheet date and are written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Offsetting

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis.

j) *Provisions, contingent liabilities and contingent assets*

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Chiretech Technology Limited

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
608,298,978 (previous year : 108,298,978) shares of 0.10 GBP each	<u>5,033,405</u>	<u>67,055</u>
Issued		
107,780,577 (previous year : 7,780,577) shares of 0.10 GBP each	<u>1,060,004</u>	<u>66,734</u>
Subscribed and paid-up		
107,780,577 (previous year : 7,780,577) shares of 0.10 GBP each	<u>1,060,004</u>	<u>66,734</u>
	<u>1,060,004</u>	<u>66,734</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	7,780,577	66,734	7,780,577	66,734
Shares issued during the year	100,000,000	993,270	-	-
Number of shares outstanding at the end of the year	107,780,577	1,060,004	7,780,577	66,734

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of GBP 0.10 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	% of equity shares held	No. of equity shares	% of equity shares held
Dr. Reddy's Laboratories (EU) Limited	107,780,577	100	7,780,577	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Foreign currency translation reserve		
Balance at the beginning of the year	(53,445)	(52,720)
Movement during the year	<u>(147,034)</u>	<u>(725)</u>
	<u>(200,479)</u>	<u>(53,445)</u>
Securities premium reserve		
Balance at the beginning of the year	740,439	740,439
Movement during the year	<u>-</u>	<u>-</u>
	<u>740,439</u>	<u>740,439</u>
Deficit		
Balance at the beginning of the year	(1,339,548)	(1,214,196)
Add: Current year loss	<u>(106,876)</u>	<u>(125,352)</u>
Balance carried forward	<u>(1,446,424)</u>	<u>(1,339,548)</u>
	<u>(906,464)</u>	<u>(652,554)</u>

Chirotech Technology Limited

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.3 : Long term borrowings

	As at 31 March 2014	As at 31 March 2013
Borrowings from holding company and other group	-	19
	<u>-</u>	<u>19</u>

2.4 : Trade payables

	As at 31 March 2014	As at 31 March 2013
Payables to holding company and other group companies	309,239	852,075
Payables to others	445	22,989
	<u>309,684</u>	<u>875,064</u>

2.5 : Other liabilities

a) Other long term liabilities

	As at 31 March 2014	As at 31 March 2013
Deferred revenue - non current	210	863
	<u>210</u>	<u>863</u>

b) Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Accrued expenses	56,679	78,069
Due to capital creditors	5,589	14,276
Due to holding company and other group companies	739	-
Due to statutory authorities	78,187	36,095
Salary and bonus payable	49,298	49,112
Others	97,268	93,070
	<u>287,760</u>	<u>270,622</u>

Chirotech Technology Limited

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2 : Notes to financial statements (continued)

2.6 : Fixed assets

Description	Gross Block					Depreciation / Amortization					Net Block	
	As at 01.04.2013	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 01.04.2013	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Lease hold improvements	15,077	-	-	3,216	18,293	6,626	4,717	-	1,805	13,148	5,145	8,451
Plant and machinery	67,029	-	-	8,645	75,674	33,609	6,840	-	6,047	46,496	29,178	33,420
Laboratory equipment	42,332	45,746	-	15,063	103,141	9,240	10,737	-	2,622	22,599	80,542	33,092
Furniture and fixtures and office equipment	29,193	4,447	-	9,009	42,649	18,366	7,416	-	6,723	32,505	10,143	10,827
Total tangible assets (A)	153,631	50,193	-	35,933	239,757	67,841	29,710	-	17,197	114,749	125,008	85,790
Patents and trademarks	3,359	-	-	722	4,081	1,936	568	-	426	2,930	1,151	1,423
Total intangible assets (B)	3,359	-	-	722	4,081	1,936	568	-	426	2,930	1,151	1,423
Total (A+B)	156,990	50,193	-	36,655	243,837	69,777	30,278	-	17,623	117,679	126,159	87,213
Previous year	107,385	50,671	-	(1,068)	156,990	46,885	23,329	-	(436)	69,777	87,213	

Chirotech Technology Limited

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2 : Notes to financial statements (continued)

2.7 : Long term loans and advances

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
<i>Considered good</i>		
Advance tax, net of provision for income taxes	-	55,849
Capital advances for purchase of fixed assets	354	-
Security deposits	1,265	694
	<u>1,619</u>	<u>56,543</u>

2.8 : Inventories

(Valued on weighted average basis)

	As at 31 March 2014	As at 31 March 2013
Raw materials	2,344	10,590
Work-in-progress	1,049	41
	<u>3,393</u>	<u>10,631</u>

2.9 : Trade receivables

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	4,323	2,428
Other debts		
Considered good	386,434	309,319
	<u>390,757</u>	<u>311,747</u>

2.10 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Cash on hand	54	107
Bank balances		
In current accounts	56,395	30,325
	<u>56,449</u>	<u>30,432</u>

2.11 : Short term loans and advances

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
<i>Considered good</i>		
Advances to material suppliers	5,732	21
Staff loans and advances	213	210
Balances with statutory agencies	65,153	48,630
Prepaid expenses	6,282	5,603
Other advances	-	308
	<u>77,380</u>	<u>54,772</u>

Chirotech Technology Limited

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2 : Notes to financial statements (continued)

2.12 : Other current assets

	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Other receivables from holding company and other group companies	81,198	1,382
	<u>81,198</u>	<u>1,382</u>

2.13 : Changes in inventories of finished goods and work-in-progress

	For the year ended 31 March 2014	For the year ended 31 March 2013
<i>Opening</i>		
Work-in-process	41	-
Finished goods	-	1,844
	<u>-</u>	<u>1,844</u>
<i>Closing</i>		
Work-in-process	1,049	41
<i>Net (increase)</i>	<u>(1,008)</u>	<u>1,803</u>

2.14 : Employee benefits expense

	For the year ended 31 March 2014	For the year ended 31 March 2013
Salaries, wages and bonus	379,947	170,444
Staff welfare expenses	14,027	10,332
	<u>393,974</u>	<u>180,776</u>

2.15 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Consumption of stores and spare parts	18,573	28,783
Legal and professional	15,436	13,710
Carriage outward	1,952	2,525
Rates and taxes	24,767	24,444
Selling expenses	7,133	1,556
Repairs and maintenance	41,886	34,581
Power and fuel	18,781	15,990
Travelling and conveyance	16,440	14,030
Communication	5,634	5,089
Rent	66,526	61,651
Insurance	1,647	1,674
Foreign exchange loss, net	4,517	2,348
Printing and stationery	1,907	1,708
Bank charges	427	412
Auditors' remuneration	631	433
	<u>226,257</u>	<u>208,934</u>

Chirotech Technology Limited
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.16: Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.17: Deferred taxation

Deferred tax asset, net included in the balance sheet comprises the following:

Particulars	As at 31 March 2014	As at 31 March 2013
Deferred tax assets / (liabilities)		
Current assets	14,387	11,742
Fixed assets	(21,895)	(14,596)
Deferred tax liabilities, net	(7,508)	(2,854)

2.18: Related party disclosures

a. The Company has following related party transactions:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
i. Sales and services to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	467,187	43,518
Dr. Reddy's Laboratories SA	19,426	7,712
Dr. Reddy's Laboratories (EU) Limited	64,053	1,659
Dr. Reddy's Laboratories Inc.	233	1,732
ii. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories (EU) Limited	270,110	421,826
Dr. Reddy's Laboratories Limited	40,176	71,799
iii. Reimbursement of operating and other expense by holding company and other group companies:		
Dr. Reddy's Laboratories (EU) Limited	4,324	3,104

b. The Company has following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due from holding company and other group companies (included in other current assets):		
Dr. Reddy's Laboratories Limited	16,799	-
Dr. Reddy's Laboratories Inc.	-	8
Dr. Reddy's Laboratories SA	-	1,374
Dr. Reddy's Laboratories (EU) Limited	64,399	-
ii. Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's Laboratories Limited	207,301	42,702
Dr. Reddy's Laboratories (EU) Limited	75,574	53,939
Dr. Reddy's Laboratories Inc.	-	1,730
iii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	91,303	56,037
Dr. Reddy's Laboratories (EU) Limited	217,936	796,038
vi. Due to holding company and other group companies (included in borrowings and other current liabilities):		
Dr. Reddy's Laboratories Limited	560	19
Dr. Reddy's Laboratories (EU) Limited	179	-

Chirotech Technology Limited

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.19: Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.20: The Company, incorporated in the United Kingdom, is a 100 % subsidiary of Dr. Reddy's Laboratories (EU) Limited.

As per our report of even date attached

for A Ramachandra Rao & Co.

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

R Ananthanarayanan

Director

A Ramachandra Rao

Partner

Membership No. 9750

V V Parsuram

Director

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Bio-Sciences Limited

Directors' Report

Dear Members,

Your Directors present the 14th Annual Report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in thousands)

Particulars	31 March 2014	31 March 2013
Loss for the period after taxation	(1,515)	(792)
Balance brought forward	(155,061)	(154,269)
Balance carried forward to Balance Sheet	(156,576)	(155,061)

Operations

The Company did not have any operations during the year.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2014.

Share capital

The Company has, vide shareholder approval granted on 5 March 2014, increased the Authorised Capital from ` 350,000,000/- to ` 550,000,000/- divided into 55,000,000 equity shares of ` 10/- each. The paid up capital of the Company presently is ` 340,220,700/- divided into 34,022,070 equity shares of ` 10/- each.

The Company proposes to undertake development activities on the 185 acres of land, held by it, at Bahadurpally, Hyderabad. In order to fund this requirement, the Company has offered its equity shares on rights basis to existing shareholders, pursuant to provisions of Section 81(1) of the Companies Act, 1956. This Rights issue amounts to ` 204,132,420/-.

The Record Date for this Rights issue was fixed as 15 March 2014. The Offer opened on 10 April 2014 and shall close on 27 May 2014. Thereafter, the Company shall allot the shares to the respective shareholders who have accepted the offer.

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of loss of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Dr. Reddy's Bio-Sciences Limited

Directors' Report

Directors

Mr. Satish Reddy, retires by rotation at the ensuing Annual General Meeting scheduled on July 28 2014 and being eligible, seeks re-appointment. Your Directors recommend his re-appointment for your approval at the ensuing AGM.

Mr. G V Prasad resigned from the Board of Directors of the Company and ceases to a Director of the Company with effect from 30 October 2013. The Board accorded its deep appreciation for the services rendered by him during his term.

The Board of Directors have appointed Mr. Saumen Chakraborty as an Additional Director on the Board of Directors of the Company on 30 October 2013. He will hold this office till the conclusion of the 14th Annual General Meeting of the Company. Requisite notice under Section 160 of the Companies Act, 2013 has been received from a member proposing his appointment. It is proposed to appoint him as a Director of the Company liable to retire by rotation. The resolution for the same has been included in the notice of the 14th Annual General Meeting of the Company.

Audit Committee

Due to resignation of Mr. G. V. Prasad on 30 October 2013, the Audit Committee was re-constituted to comprise of Mr. Satish Reddy, Mr. A S Kumar and Mr. Saumen Chakraborty as members of the Committee. The Audit Committee met 2 times during the year: on 10 May 2013 and 30 October 2013.

The functions of the Audit Committee are:

1. Hold discussions with the auditors periodically about internal control systems and the scope of audit including observations of the auditors;
2. Review of the half-yearly and annual financial statements before submission to the Board; and
3. Ensure the compliance of internal control systems in the Company.

Auditors

The existing Statutory Auditors, M/s. A Ramachandra Rao & Co, Chartered Accountants, Hyderabad hold office upto the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

Section 139(2) of the Companies Act, 2013, (effective 1 April 2014) mandates that an unlisted public company having a paid up capital of Rupees Ten crores or more shall not appoint or re-appoint an audit firm as Statutory Auditors for more than two terms of five consecutive years each.

Further, the companies as aforesaid, whose Statutory Auditor has held office for a period of 10 years or more are required to comply with these provisions, within three years from the date of commencement of these provisions i.e. April 1, 2014. For this purpose, the term of the audit firm before the commencement of the provisions shall be taken into account for calculating the period of ten consecutive years.

M/s. A Ramachandra Rao & Co, Chartered Accountants have been holding the office as Statutory Auditors since FY 2003-04 and hence they can be re-appointed for a maximum period of up to three years i.e. up to financial year 2016-17.

The Company has received a certificate from the Statutory Auditors in accordance with the requirements of second and third proviso to Section 139(1) of the Companies Act, 2013 confirming that:

- a. they are eligible for re-appointment at the ensuing AGM and are not disqualified for the proposed appointment under the Companies Act, 2013, the Chartered Accountants Act, 1949 and the rules or regulations made there under;
- b. the proposed appointment is as per the term and within the limits laid down by or under the authority of the Companies Act, 2013.
- c. there are no orders or proceedings pending against their audit firm or any of their partners with respect to professional matters of conduct before the Institute of Chartered Accountants of India or any competent authority or any Court.

The Board of Directors recommend the re-appointment of M/s. A. Ramachandra Rao & Co., Chartered Accountants as Statutory Auditors of the Company for the financial years 2014-15, 2015-16 and 2016-17 for shareholder's approval.

Dr. Reddy's Bio-Sciences Limited

Directors' Report

Particulars of Employees

There are no employees who are drawing salary more than the amount as specified under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended from time to time. Hence the relevant provisions are not applicable to your Company.

Conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your directors place on record their sincere appreciation for support and co-operation extended by all the concerned to the Company during the year.

for and on behalf of the Board of Directors

Saumen Chakraborty

Director

Place: Hyderabad

Date: 9 May 2014

A S Kumar

Director

Independent Auditors' Report

To

**The Members of
Dr. Reddy's Bio-Sciences Limited**

We have audited the accompanying financial statements of **Dr. Reddy's Bio-Sciences Limited** which comprise the Balance Sheet as at 31 March 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date; and
- (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

As required by section 227(3) of the Act, we report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
- e) on the basis of written representations received from the directors as on 31 March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

for **A.Ramachandra Rao & Co**

Chartered Accountants

ICAI FRN: 002857S

A. Ramachandra Rao

Partner

Membership No. : 9750

Place: Hyderabad

Date: 9 May 2014

ANNEXURE TO THE AUDITORS' REPORT

Re: Dr. Reddy's Bio-Sciences Limited

- i. a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
b) All the Fixed Assets have not been physically verified by the management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets and to the best of our knowledge no material discrepancies were noticed on such verification;.
c) In our opinion, the Company has not disposed off substantial part of fixed assets during the year and the going concern status of the Company is not affected.
- ii. The company does not have any inventories and hence, in our opinion, clauses 4(ii)(a) to (c) are not applicable to the company.
- iii. Based on the information and explanations provided to us, the company has not granted any loans to companies, firms or other parties covered under the register maintained u/s 301 of the Act. However, the Company has taken unsecured loan from companies, firms or other parties covered in the register maintained u/s 301 of the Act. The no. of parties involved is 1 (one) and the amount involved is ` 485,250/-. In our opinion, the rate and other terms and conditions in respect of the said loan are prima facie not prejudicial to the interest of the company. Based on the information provided to us, the repayment of principal, if any, are regular as agreed upon.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the company and the nature of its business. The activities of the Company do not involve purchase of inventory and sale of goods. During the course of our audit, we have not observed any major weaknesses in internal control system.
- v. In our opinion, and according to the information and explanations given to us, we are of the opinion that the company has not entered into any transactions that need to be entered into the register maintained under section 301 of the companies act 1956 and hence the Sub clause (v) is not applicable to the company for the year.
- vi. Based on the information provided to us, in our opinion, the Company has not accepted any Deposits from the public during the year and hence, in our opinion, the Clause 4(vi) is not applicable to the company for the year;
- vii. In our opinion, the company has an internal audit system to commensurate with its size and nature of its business.
- viii. We are of the opinion, based on the information provided to us, that the Central Government has not prescribed any accounts and records, which are required to be maintained under section 209(1)(d) of the Act.
- ix. (a) According to the records of the company, the company is regular in depositing the undisputed statutory dues including Sales tax, Income-tax, Customs duty, Excise duty and Employees State Insurance and Provident Fund and cess, investor education fund with the appropriate authorities. We have been informed that the provisions of Employees state Insurance, Wealth tax and excise duty are not applicable to the company.
(b) According to the information and explanations given to us, there are no dues of sales tax/income tax/ customs duty/Wealth tax /excise duty/cess to be deposited on account of any dispute;
c) Further, since the Central Government has till date not prescribed the amount of cess payable under section 441A of the companies act 1956,we are not in a position to comment upon the regulatory or otherwise of the company in depositing the same.
- x. In our opinion the accumulated losses of the company are more than fifty percent of its net worth. The company has incurred cash losses during the financial year covered by our audit and immediately preceding the financial year.
- xi. Based on the information provided and explanation given to us, the company has not taken any loans from banks and hence the clause 4(xi) is not applicable to the company for the year.

- xii. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the company on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a Chit fund or Nidhi / Mutual Benefit Fund / Society and hence clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
- xiv. Based on the information given to us, the Company has not dealt or traded in shares, securities, debentures or other investments during the year.
- xv. Based on the information provided to us, the Company has not given guarantees for loans taken by others from Banks or Financial Institutions.
- xvi. According to the information and explanations given to us, the company has not obtained any term loans during the year and hence clause 4(xvi) of the order is not applicable to the company.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we are of the opinion that the Company has no short-term sources of funds. Thus, paragraph 4(xvii) of the order is not applicable.
- xviii. Based on the information provided and explanations offered, during the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained u/s 301 of the Companies Act 1956 and hence sub clause (xvii) of the order is not applicable to the company for the year.
- xix. The Company has not issued any debentures and not created any securities or charges in respect of any debentures.
- xx. The Company has not raised any money by way of Public Issue during the year.
- xxi. In our opinion and according to the information provided and explanations offered to us, no fraud on or by the Company has been noticed or reported during the year.

for **A.Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

Dr. Reddy's Bio- Sciences Limited**Balance Sheet**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	340,221	340,221
Reserves and surplus	2.2	(156,576)	(155,061)
		<u>183,645</u>	<u>185,160</u>
Non current liabilities			
Long term borrowings	2.3	485	485
		<u>485</u>	<u>485</u>
Current liabilities			
Other current liabilities	2.4	83,866	82,555
		<u>83,866</u>	<u>82,555</u>
	TOTAL	<u>267,996</u>	<u>268,200</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	267,691	267,895
		<u>267,691</u>	<u>267,895</u>
Current assets			
Cash and bank balances	2.6	305	305
		<u>305</u>	<u>305</u>
	TOTAL	<u>267,996</u>	<u>268,200</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Saumen Chakraborty
Director**A S Kumar**
DirectorA Ramachandra Rao
Partner
Membership No. 9750**Sudipta V**
Company SecretaryPlace: Hyderabad
Date: 9 May 2014

Dr. Reddy's Bio- Sciences Limited**Statement of Profit and Loss**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Other income	2.7	-	20
Total revenue		<u>-</u>	<u>20</u>
Expenses			
Other expenses	2.8	1,515	811
Total expenses		<u>1,515</u>	<u>811</u>
Loss before tax		(1,515)	(792)
Tax expense		-	-
Loss for the year		<u>(1,515)</u>	<u>(792)</u>
Earnings per share	2.10		
Basic - Par value ` 10/- per share		(0.04)	(0.02)
Diluted - Par value ` 10/- per share		(0.04)	(0.02)
Number of shares used in computing earnings per share			
Basic		34,022,070	34,022,070
Diluted		34,022,070	34,022,070

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

*for A Ramachandra Rao & Co.**Chartered Accountants*

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Saumen Chakraborty
Director**A S Kumar**
Director**Sudipta V**
Company Secretary

Dr. Reddy's Bio- Sciences Limited**Cash Flow Statement**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	For the year ended 31 March 2014	For the year ended 31 March 2013
Cash flow from operating activities		
Loss for the year	(1,515)	(792)
Adjustments:		
Depreciation	204	-
Other expenses	-	412
Operating profit before working capital changes	<u>(1,311)</u>	<u>(380)</u>
<i>Changes in operating assets and liabilities</i>		
Other current liabilities	1,311	380
Cash generated from Operations	-	-
Income tax paid	-	-
Net cash provided by operating activities	<u>-</u>	<u>-</u>
Cash flows from/(used in) investing activities	-	-
Cash flows from/(used in) financing activities	-	-
Net increase/(decrease) in cash & bank balances	-	-
Cash & bank balances at the beginning of the year	305	305
Cash & bank balances at the end of the year	<u><u>305</u></u>	<u><u>305</u></u>

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN No.: 002857S

for and on behalf of the Board of Directors

Saumen Chakraborty
Director**A S Kumar**
DirectorA Ramachandra Rao
Partner
Membership No.: 9750**Sudipta V**
Company SecretaryPlace: Hyderabad
Date: 9 May 2014

Dr. Reddy's Bio- Sciences Limited

Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("IGAAP") under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Subsequent expenditure related to an item of tangible fixed asset is capitalised only if it increases the future benefits from the existing assets beyond its previously assessed standards of performance.

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ` 5,000/- are depreciated in full in the year of acquisition.

Land is not depreciated.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Buildings	30

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

e) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares, if any.

f) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Dr. Reddy's Bio- Sciences Limited

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
55,000,000 (previous year : 35,000,000) equity shares of ` 10/- each	550,000	350,000
	<u>550,000</u>	<u>350,000</u>
Issued		
34,022,070 (previous year : 34,022,070) equity shares of ` 10/- each fully paid up	340,221	340,221
	<u>340,221</u>	<u>340,221</u>
Subscribed and paid-up		
34,022,070 (previous year : 34,022,070) equity shares of ` 10/- each fully paid up	340,221	340,221
	<u>340,221</u>	<u>340,221</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	34,022,070	340,221	34,022,070	340,221
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	34,022,070	340,221	34,022,070	340,221

(b) Terms/rights attached to shares

The company has only one class of equity share having a par value of ` 10/- per share . Each holder of equity share is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
Dr. Reddy's Laboratories Limtied (including shares held by nominees)	34,022,070	100	34,022,070	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Deficit		
Balance at the beginning of the year	(155,061)	(154,269)
Add: Current year loss	(1,515)	(792)
Balance carried forward	<u>(156,576)</u>	<u>(155,061)</u>

2.3 : Long term borrowings

	As at 31 March 2014	As at 31 March 2013
Borrowings from holding company	485	485
	<u>485</u>	<u>485</u>

2.4 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Due to holding company	70,216	68,525
Others	13,650	14,030
	<u>83,866</u>	<u>82,555</u>

Dr. Reddy's Bio- Sciences Limited

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.5 : Fixed assets

Description	Gross Block			Depreciation				Net Block		
	As at 01.04.2013	Additions	Deletions	As at 31.03.2014	As at 01.04.2013	For the year	Deletions	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Land	261,783	-	-	261,783	-	-	-	-	261,783	261,783
Buildings	6,112	-	-	6,112	-	204	-	204	5,908	6,112
Total tangible assets	267,895	-	-	267,895	-	204	-	204	267,691	267,895
Previous year	261,783	6,112	-	267,895	-	-	-	-	267,895	

Dr. Reddy's Bio- Sciences Limited
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.6 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Bank balances		
In current accounts	305	305
	<u>305</u>	<u>305</u>

2.7 : Other Income

	For the year ended 31 March 2014	For the year ended 31 March 2013
Excess liability written back	-	20
	<u>-</u>	<u>20</u>

2.8 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Rates and taxes	1,300	-
Auditors' remuneration	11	11
Electricity expenses	-	391
Depreciation	204	-
Other general expenses	-	409
	<u>1,515</u>	<u>811</u>

2.9 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.10 : Earnings per share

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
Loss for the year	(1,515)	(792)
Shares:		
Weighted average number of equity shares outstanding during the year - Basic	34,022,070	34,022,070
Weighted average number of equity shares outstanding during the year - Diluted	34,022,070	34,022,070
Basic Earnings/(Loss) in ` per share	(0.04)	(0.02)
Diluted Earnings/(Loss) in ` per share	(0.04)	(0.02)

2.11 : Related party transaction

a. The company has the following related party transactions:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
i. Operating and other expenses paid / payable to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	1,300	391

Dr. Reddy's Bio- Sciences Limited
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

b. The company has the following amounts due to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due to holding company (included in long term borrowings and other current liabilities):		
Dr. Reddy's Laboratories Limited	70,701	69,010

2.12 : Comparative figures

Previous year's figures have been regrouped / reclassified wherever necessary, to conform to current year presentation.

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the Board of Directors

Saumen Chakraborty
Director

A S Kumar
Director

A Ramachandra Rao
Partner
Membership No. 9750
Place: Hyderabad
Date: 9 May 2014

Sudipta V
Company Secretary

Dr. Reddy's Farmaceutica Do Brasil Ltda.

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in thousands)

Particulars	31 March 2014	31 March 2013
(Loss) / profit for the year after taxation	(34,730)	72,521
Balance brought forward	(965,404)	(1,037,924)
Balance carried forward to balance sheet	(1,000,134)	(965,404)

Directors

During the year, Mr. VSS Seshagiri Rao Vempati resigned as a Director of the Company. Mr. Jobelino Vitoriano Locateli has been appointed as a Director of the Company.

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of loss of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Place: Hyderabad

Date: 9 May 2014

Jobelino Vitoriano Locateli

Director

Auditors' Report

To
The Members of
Dr. Reddy's Farmaceutica Do Brasil Ltda.

We have audited the accompanying financial statements of **Dr. Reddy's Farmaceutica Do Brasil Ltda.**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

Dr. Reddy's Farmaceutica Do Brasil Ltda.**Balance Sheet**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	633,545	633,545
Reserves and surplus	2.2	(1,000,134)	(965,404)
		<u>(366,589)</u>	<u>(331,859)</u>
Non current liabilities			
Long term borrowings	2.3	289,828	262,596
Other long term liabilities	2.4	86,820	103,402
		<u>376,648</u>	<u>365,998</u>
Current liabilities			
Trade payables	2.5	29,357	8,693
Other current liabilities	2.4	36,786	56,772
		<u>66,143</u>	<u>65,465</u>
	TOTAL	<u>76,202</u>	<u>99,604</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	2,810	5,340
Deferred tax assets, net	2.19	35,469	50,904
Long term loans and advances	2.7	2,660	16,598
		<u>40,939</u>	<u>72,842</u>
Current assets			
Inventories	2.8	1,332	846
Trade receivables	2.9	5,846	215
Cash and bank balances	2.10	9,269	11,507
Short term loans and advances	2.11	12,603	11,894
Other current assets	2.12	6,213	2,300
		<u>35,263</u>	<u>26,762</u>
	TOTAL	<u>76,202</u>	<u>99,604</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao

Partner

Membership No. 9750

Jobelino Vitoriano Locateli

Director

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Farmaceutica Do Brasil Ltda.**Statement of Profit and Loss**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Sales, net		28,646	7,646
Service income		36,766	30,715
License fees		43,908	92,809
Other operating revenues		177	38,625
Revenue from operations		109,497	169,795
Other income	2.13	135	376
Total revenue		109,632	170,171
Expenses			
Cost of material consumed (including packing material consumed)		20,928	6,131
Changes in inventories of stock-in-trade	2.14	(486)	(5)
Employee benefits expense	2.15	26,801	31,938
Finance costs	2.16	39	14,725
Depreciation expense	2.7	2,743	7,368
Other expenses	2.17	61,742	19,720
Total expenses		111,767	79,877
Profit / (Loss) before tax		(2,135)	90,294
Tax expense			
Current tax		16,498	(14,181)
Deferred tax		16,097	31,954
Profit / (Loss) for the year		(34,730)	72,521

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the **Board of Directors**

A Ramachandra Rao
Partner
Membership No. 9750

Jobelino Vitoriano Locateli
Director

Place: Hyderabad
Date: 9 May 2014

Dr. Reddy's Farmaceutica Do Brasil Ltda.
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("IGAAP") under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Examples of such estimates include estimation of useful life of tangible and intangible assets, assessment of recoverable amounts of deferred tax assets, provision for obligations relating to employees, provisions against litigations and impairment of assets. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Subsequent expenditure related to an item of tangible fixed asset is capitalised only if it increases the future benefits from the existing assets beyond its previously assessed standards of performance.

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ` 5,000/- are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Plant and machinery	3 to 15

Depreciation method, useful lives and residual values are reviewed at each reporting date.

Gains or losses from disposal of tangible fixed assets are recognised in the statement of profit and loss.

e) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value (NRV) is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of all categories of inventory is determined using weighted average cost method.

Dr. Reddy's Farmaceutica Do Brasil Ltda.

Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

f) Foreign currency transactions and balances

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

g) Revenue recognition

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is reasonably certain, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenue from the sale of goods is net of returns, sales tax and applicable trade discounts and allowances.

Sales returns

The Company accounts for sales returns by recording an allowance for sales returns concurrent with the recognition of revenue at the time of a product sale. This allowance is based on the Company's estimate of expected sales returns.

Service Income

Revenue from services rendered is recognized in the statement of profit and loss as the underlying services are performed.

License fee

The Company enters into certain dossier sales, licensing and supply arrangements with various parties. Income from licensing arrangements is generally recognised over the term of the contract. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognized in the period in which the Company completes all its performance obligations.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

h) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed at each balance sheet date and are written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Offsetting

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis.

Dr. Reddy's Farmaceutica Do Brasil Ltda.

Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

i) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Dr. Reddy's Farmaceutica Do Brasil Ltda.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
26,699,230 (previous year : 26,699,230) equity shares of BRL 1 each	<u>633,545</u>	<u>633,545</u>
Issued		
26,699,230 (previous year : 26,699,230) equity shares of BRL 1 each	<u>633,545</u>	<u>633,545</u>
Subscribed and paid-up		
26,699,230 (previous year : 26,699,230) equity shares of BRL 1 each	<u>633,545</u>	<u>633,545</u>
	<u>633,545</u>	<u>633,545</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	26,699,230	633,545	26,699,230	633,545
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	26,699,230	633,545	26,699,230	633,545

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of BRL 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Dr. Reddy's Laboratories Limited	26,699,230	100	26,699,230	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Deficit		
Balance at the beginning of the year	(965,404)	(1,037,924)
Add: Current year profit / (loss)	<u>(34,730)</u>	<u>72,521</u>
	<u>(1,000,134)</u>	<u>(965,404)</u>

2.3 : Long term borrowings

	As at 31 March 2014	As at 31 March 2013
Borrowings from holding company and other group companies	<u>289,828</u>	<u>262,596</u>
	<u>289,828</u>	<u>262,596</u>

Dr. Reddy's Farmaceutica Do Brasil Ltda.**Notes to Financial Statements**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.4 : Other liabilities**

	As at 31 March 2014	As at 31 March 2013
a) Other long term liabilities		
Deferred revenue - non current	86,820	103,402
	<u>86,820</u>	<u>103,402</u>

b) Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Accrued expenses	14,938	17,355
Salary and bonus payable	421	350
Due to statutory authorities	1,771	1,862
Others	19,656	37,205
	<u>36,786</u>	<u>56,772</u>

2.5 : Trade payables

	As at 31 March 2014	As at 31 March 2013
Payables to holding company and other group companies	29,357	8,693
	<u>29,357</u>	<u>8,693</u>

Dr. Reddy's Farmaceutica Do Brasil Ltda.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.6 : Fixed assets

Description	Gross Block				Depreciation				Net Block	
	As at 01.4.2013	Additions	Deletions	As at 31.03.2014	As at 01.4.2013	For the year	Deletions	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Plant and machinery	36,486	213	-	36,699	31,146	2,743	-	33,889	2,810	5,340
Total	36,486	213	-	36,699	31,146	2,743	-	33,889	2,810	5,340
Previous year	24,906	20,753	9,173	36,486	24,250	7,368	472	31,146	5,340	

Dr. Reddy's Farmaceutica Do Brasil Ltda.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.7 : Long term loans and advances

(Unsecured)	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Security deposits	2,660	3,147
Advance tax, net of provision for income taxes	-	13,451
	<u>2,660</u>	<u>16,598</u>

2.8 : Inventories

(Valued on weighted average basis)

	As at 31 March 2014	As at 31 March 2013
Stock-in-trade	<u>1,332</u>	<u>846</u>
	<u>1,332</u>	<u>846</u>

2.9 : Trade receivables

(Unsecured)	As at 31 March 2014	As at 31 March 2013
Debts outstanding for a period exceeding six months		
Considered doubtful	40,718	41,370
Other debts		
Considered good	<u>5,846</u>	<u>215</u>
	46,564	41,585
<i>Less</i> : Provision for doubtful debts	<u>(40,718)</u>	<u>(41,370)</u>
	<u>5,846</u>	<u>215</u>

2.10 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Cash on hand	34	42
Bank balances		
In current accounts	<u>9,235</u>	<u>11,465</u>
	<u>9,269</u>	<u>11,507</u>

2.11 : Short term loans and advances

(Unsecured)	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Advances to material suppliers	252	371
Staff loans and advances	178	119
Balances with statutory agencies	1	1
Prepaid expenses	146	60
Other advances	<u>12,026</u>	<u>11,343</u>
	<u>12,603</u>	<u>11,894</u>

2.12 : Other current assets

	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Other receivables from holding company and other group companies	<u>6,213</u>	<u>2,300</u>
	<u>6,213</u>	<u>2,300</u>

Dr. Reddy's Farmaceutica Do Brasil Ltda.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.13 : Other income

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest income	135	376
	<u>135</u>	<u>376</u>

2.14 : Changes in inventories of stock-in-trade

	As at 31 March 2014	As at 31 March 2013
<i>Opening</i>		
Stock-in-trade	846	841
<i>Closing</i>		
Stock-in-trade	<u>1,332</u>	<u>846</u>
<i>Net increase</i>	<u>(486)</u>	<u>(5)</u>

2.15 : Employee benefits expense

	For the year ended 31 March 2014	For the year ended 31 March 2013
Salaries, wages and bonus	16,010	15,221
Staff welfare expenses	<u>10,791</u>	<u>16,717</u>
	<u>26,801</u>	<u>31,938</u>

2.16 : Finance costs

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest expenses	39	14,725
	<u>39</u>	<u>14,725</u>

2.17 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Legal and professional	8,660	8,925
Carriage outward	82	-
Rates and taxes	130	2,822
Selling expenses	1,083	-
Travelling and conveyance	1,184	1,809
Communication	1,131	1,508
Rent	2,762	1,384
Insurance	138	378
Foreign exchange loss, net	32,318	734
Loss on sale of fixed assets, net	-	75
Other general expenses	<u>14,254</u>	<u>2,085</u>
	<u>61,742</u>	<u>19,720</u>

2.18 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

Dr. Reddy's Farmaceutica Do Brasil Ltda.**Notes to Financial Statements**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.19 : Deferred taxation**

Deferred tax asset, net included in the balance sheet comprises the following:

Particulars	As at	As at
	31 March 2014	31 March 2013
Deferred tax assets / (liabilities)		
Current liabilities	35,469	50,904
Deferred tax asset, net	35,469	50,904

2.20 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended	For the year ended
	31 March 2014	31 March 2013
i. Sales and services rendered to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	38,395	30,751
ii. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	19,761	5,523
iii. Interest paid / payable to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	-	14,740

b. The Company has the following amounts due from / to related parties:

Particulars	As at	As at
	31 March 2014	31 March 2013
i. Due from holding company and other group companies (included in other current assets):		
Dr. Reddy's Laboratories Limited	6,213	2,300
ii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	29,357	8,693
iii. Due to holding company and other group companies (included in long term borrowings):		
Dr. Reddy's Laboratories Limited	289,828	262,596

2.21 : Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's

2.22 : The Company, incorporated in Brazil, is a 100% subsidiary of Dr. Reddy's Laboratories Limited.

As per our report of even date attached

for A **Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

for and on behalf of the Board of Directors

Jobelino Vitoriano Locateli

Director

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Laboratories (Australia) Pty. Limited

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in thousands)

Particulars	31 March 2014	31 March 2013
Profit for the year after taxation	7,835	66,593
Balance brought forward	(441,020)	(507,612)
Balance carried forward to balance sheet	(433,185)	(441,020)

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of profit of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

M V Narasimham
Director

Place: Hyderabad
Date: 9 May 2014

Azhar Ibrahim
Director

Auditors' Report

To
The Members of
Dr. Reddy's Laboratories (Australia) Pty. Limited

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories (Australia) Pty. Limited**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the profit for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**

Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

Dr. Reddy's Laboratories (Australia) Pty. Limited

Balance Sheet

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	35,126	35,126
Reserves and surplus	2.2	<u>(431,390)</u>	<u>(439,225)</u>
		<u>(396,264)</u>	<u>(404,099)</u>
Non current liabilities			
Long term borrowings	2.3	<u>736,255</u>	<u>540,778</u>
		<u>736,255</u>	<u>540,778</u>
Current liabilities			
Trade payables	2.4	252,096	288,447
Other current liabilities	2.5	23,687	107,704
Short term provisions	2.6	<u>6,055</u>	<u>3,868</u>
		<u>281,838</u>	<u>400,019</u>
	TOTAL	<u>621,829</u>	<u>536,698</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	114	193
Intangible assets	2.7	-	391
Deferred tax assets, net	2.19	101,927	102,158
Long term loans and advances	2.8	<u>689</u>	<u>904</u>
		<u>102,730</u>	<u>103,646</u>
Current assets			
Inventories	2.9	226,643	100,589
Trade receivables	2.10	227,122	254,270
Cash and bank balances	2.11	54,306	76,191
Short term loans and advances	2.12	<u>11,028</u>	<u>2,002</u>
		<u>519,099</u>	<u>433,052</u>
	TOTAL	<u>621,829</u>	<u>536,698</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

M V Narasimham

Director

Azhar Ibrahim

Director

Dr. Reddy's Laboratories (Australia) Pty. Limited

Statement of Profit and Loss

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Sales, net		655,919	690,891
Other operating revenues		1,727	3,642
Revenue from operations		657,646	694,533
Other income	2.13	15,571	608
Total revenue		673,217	695,141
Expenses			
Purchase of stock-in-trade (traded goods)		459,739	482,532
Changes in inventories of stock-in-trade	2.14	(126,054)	(48,806)
Employee benefits expense	2.15	152,736	103,568
Finance costs	2.16	35,916	36,655
Depreciation and amortization expense	2.7	1,113	1,066
Other expenses	2.17	144,851	154,978
Total expenses		668,301	729,993
Profit / (Loss) before tax		4,916	(34,852)
Tax expense			
Deferred tax benefit		(2,919)	(101,445)
Profit for the year		7,835	66,593

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

M V Narasimham

Director

Azhar Ibrahim

Director

Dr. Reddy's Laboratories (Australia) Pty. Limited

Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("IGAAP") under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Subsequent expenditure related to an item of tangible fixed asset is capitalised only if it increases the future benefits from the existing assets beyond its previously assessed standards of performance.

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ` 5,000/- are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Office equipment	5 to 15

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Gains or losses from disposal of tangible fixed assets are recognised in the statement of profit and loss.

e) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition including any import duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use.

Intangible assets are amortised on a systematic basis over the best estimate of their useful lives, commencing from the date the asset is available to the Company for its use.

Dr. Reddy's Laboratories (Australia) Pty. Limited

Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

f) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value (NRV) is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of all categories of inventory is determined using weighted average cost method.

g) Employee benefits

Defined contribution plans

The company's contributions to defined contribution plans are charged to statement of profit and loss as and when the services are received from the employees.

h) Foreign currency transactions and balances

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

i) Revenue recognition

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is reasonably certain, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenue from the sale of goods is net of returns, sales tax and applicable trade discounts and allowances.

Sales returns

The Company accounts for sales returns by recording an allowance for sales returns concurrent with the recognition of revenue at the time of a product sale. This allowance is based on the Company's estimate of expected sales returns.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

j) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed at each balance sheet date and are written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Dr. Reddy's Laboratories (Australia) Pty. Limited

Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

j) *Income-tax expense (continued)*

Offsetting

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis.

k) *Provisions, contingent liabilities and contingent assets*

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Dr. Reddy's Laboratories (Australia) Pty. Limited

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
1,000,000 (previous year : 1,000,000) ordinary shares of AUD 1 each	<u>35,126</u>	<u>35,126</u>
Issued		
1,000,000 (previous year : 1,000,000) ordinary shares of AUD 1 each	<u>35,126</u>	<u>35,126</u>
Subscribed and paid-up		
1,000,000 (previous year : 1,000,000) ordinary shares of AUD 1 each	<u>35,126</u>	<u>35,126</u>
	<u>35,126</u>	<u>35,126</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	1,000,000	35,126	1,000,000	35,126
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	1,000,000	35,126	1,000,000	35,126

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of AUD 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Dr. Reddy's Laboratories Limited	-	-	1,000,000	100
Dr. Reddy's Laboratories SA	1,000,000	100	-	-

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Securities premium reserve		
Balance at the beginning of the year	1,795	1,795
Movement during the year	<u>-</u>	<u>-</u>
	<u>1,795</u>	<u>1,795</u>
Deficit		
Balance at the beginning of the year	(441,020)	(507,612)
Add: Current year profit	<u>7,835</u>	<u>66,593</u>
Balance carried forward	<u>(433,185)</u>	<u>(441,020)</u>
	<u>(431,390)</u>	<u>(439,225)</u>

Dr. Reddy's Laboratories (Australia) Pty. Limited**Notes to Financial Statements**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.3 : Long term borrowings**

	As at 31 March 2014	As at 31 March 2013
Borrowings from holding company and other group companies	736,255	540,778
	<u>736,255</u>	<u>540,778</u>

2.4 : Trade payables

	As at 31 March 2014	As at 31 March 2013
Payables to holding company and other group companies	232,815	246,307
Payables to others	19,281	42,140
	<u>252,096</u>	<u>288,447</u>

2.5 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Due to holding company and other group companies	-	91,474
Accrued expenses	15,933	9,288
Due to statutory authorities	5,100	3,773
Others	2,654	3,169
	<u>23,687</u>	<u>107,704</u>

2.6 : Short term provisions

	As at 31 March 2014	As at 31 March 2013
Provision for employee benefits	6,055	3,868
	<u>6,055</u>	<u>3,868</u>

Dr. Reddy's Laboratories (Australia) Pty. Limited

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.7 : Fixed assets

Description	Gross Block			Depreciation / Amortization				Net Block		
	As at 01.4.2013	Additions	Deletions	As at 31.03.2014	As at 01.4.2013	For the year	Deletions	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Office equipment	1,313	643	-	1,956	1,120	722	-	1,842	114	193
Total tangible assets (A)	1,313	643	-	1,956	1,120	722	-	1,842	114	193
Goodwill	1,779	-	-	1,779	1,388	391	-	1,779	-	391
Total intangible assets (B)	1,779	-	-	1,779	1,388	391	-	1,779	-	391
TOTAL (A+B)	3,092	643	-	3,735	2,508	1,113	-	3,621	114	584
Previous year	2,798	294	-	3,092	1,442	1,066	-	2,508	584	

Dr. Reddy's Laboratories (Australia) Pty. Limited
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.8 : Long term loans and advances

(Unsecured)	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Security deposits	689	904
	<u>689</u>	<u>904</u>

2.9 : Inventories
(Valued on weighted average basis)

	As at 31 March 2014	As at 31 March 2013
Stock-in-trade	226,643	100,589
	<u>226,643</u>	<u>100,589</u>

2.10 : Trade receivables

(Unsecured)	As at 31 March 2014	As at 31 March 2013
Debts outstanding for a period exceeding six months		
Considered good	468	-
Other debts		
Considered good	226,654	254,270
	<u>227,122</u>	<u>254,270</u>

2.11 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Cash on hand	26	14
Bank balances		
In current accounts	54,280	76,177
	<u>54,306</u>	<u>76,191</u>

2.12 : Short term loans and advances

(Unsecured)	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Balances with statutory agencies	141	-
Staff loans and advances	512	436
Prepaid expenses	10,294	1,566
Other advances	81	-
	<u>11,028</u>	<u>2,002</u>

Dr. Reddy's Laboratories (Australia) Pty. Limited
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.13 : Other income

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest income	646	608
Foreign exchange gain, net	14,925	-
	<u>15,571</u>	<u>608</u>

2.14 : Changes in inventories of stock-in-trade

	For the year ended 31 March 2014	For the year ended 31 March 2013
<i>Opening</i>		
Stock-in-trade	100,589	51,783
<i>Closing</i>		
Stock-in-trade	226,643	100,589
<i>Net increase</i>	<u>(126,054)</u>	<u>(48,806)</u>

2.15 : Employee benefits expense

	For the year ended 31 March 2014	For the year ended 31 March 2013
Salaries, wages and bonus	142,306	96,796
Contribution to provident and other funds	10,037	6,772
Staff welfare expenses	393	-
	<u>152,736</u>	<u>103,568</u>

2.16 : Finance costs

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest expenses	35,916	36,655
	<u>35,916</u>	<u>36,655</u>

2.17 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Legal and professional	6,950	8,826
Selling expenses	43,209	28,772
Travelling and conveyance	11,982	7,371
Communication	4,638	4,189
Rent	7,892	6,037
Foreign exchange loss, net	-	37,763
Other general expenses	70,180	62,020
	<u>144,851</u>	<u>154,978</u>

Dr. Reddy's Laboratories (Australia) Pty. Limited

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.18: Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.19: Deferred taxation

Deferred tax asset, net included in the balance sheet comprises the following:

Particulars	As at 31 March 2014	As at 31 March 2013
Deferred tax assets / (liabilities)		
Inventories	6,601	(1,308)
Losses carry forward	91,436	96,972
Fixed assets	6,147	(4,850)
Other current liabilities	(2,257)	11,344
Deferred tax asset, net	101,927	102,158

2.20: Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
i. Interest paid to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	16,044	36,655
Dr. Reddy's Laboratories SA	19,872	-
ii. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	255,003	315,448
iii. Sales to holding company and other group companies:		
Dr. Reddy's New Zealand Limited	3,913	-
iv. Operating expenses paid / payable to holding company and other group companies:		
Promius Pharma LLC	10,492	-

b. The Company has the following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due to holding company and other group companies (included in other current liabilities):		
Dr. Reddy's Laboratories Limited	-	91,474
ii. Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's New Zealand Limited	2,750	304
iii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	222,323	246,307
Promius Pharma LLC	10,492	-
iv. Due to holding company and other group companies (included in long term borrowings):		
Dr. Reddy's Laboratories Limited	-	540,778
Dr. Reddy's Laboratories SA	736,255	-

Dr. Reddy's Laboratories (Australia) Pty. Limited
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.21: Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.22: The Company, incorporated in Australia, is a 100% subsidiary of Dr. Reddy's Laboratories SA.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for **and on behalf of the Board of Directors**

M V Narasimham

Director

A Ramachandra Rao

Partner

Membership No. 9750

Azhar Ibrahim

Director

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Laboratories (Canada) Inc.

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the period 29 August 2013 to 31 March 2014. The company was incorporated on 29 August 2013.

Financial Highlights

The following table gives the financial highlights of the Company for the period 29 August 2013 to 31 March 2014.

(` in thousands)

Particulars	29 August 2013 to 31 March 2014
Loss for the period after taxation	(24,191)
Balance brought forward	-
Balance carried forward to balance sheet	(24,191)

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of 31 March 2014 and of loss of the Company for the period 29 August 2013 to 31 March 2014;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Viswanatha R. Bonthu
Director

Place: Hyderabad
Date: 9 May 2014

Umang Vohra
Director

Auditors' Report

To
The Members of
Dr. Reddy's Laboratories (Canada) Inc.

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories (Canada) Inc.**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the period 29 August 2013 to 31 March 2014 and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the period 29 August 2013 to 31 March 2014.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
 - c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN: 002857S

A. Ramachandra Rao

Partner

Membership No.: 9750

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Laboratories (Canada) Inc.
Balance Sheet

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014
EQUITY AND LIABILITIES		
Shareholders' funds		
Share capital	2.1	6
Reserves and surplus	2.2	33,856
		33,862
Current liabilities		
Trade payables	2.3	14,340
Other current liabilities	2.4	3,623
		17,963
	TOTAL	51,825
ASSETS		
Non current assets		
Fixed assets		
Tangible assets	2.5	125
Capital work-in-progress		2,101
Long term loans and advances	2.6	374
		2,600
Current assets		
Inventories	2.7	14,340
Cash and bank balances	2.8	34,550
Short term loans and advances	2.9	335
		49,225
	TOTAL	51,825

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Viswanatha R. Bonthu

Director

A Ramachandra Rao

Partner

Membership No. 9750

Umang Vohra

Director

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Laboratories (Canada) Inc.
Statement of Profit and Loss

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the period 29 August 2013 to 31 March 2014
Total revenue		-
Expenses		
Employee benefits expense	2.10	4,992
Depreciation expense	2.5	62
Other expenses	2.11	19,137
Total expenses		<u><u>24,191</u></u>
Loss before tax		(24,191)
Tax expense		-
Loss for the period		<u><u>(24,191)</u></u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Viswanatha R. Bonthu

Director

A Ramachandra Rao

Partner

Membership No. 9750

Umang Vohra

Director

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Laboratories (Canada) Inc.
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("IGAAP") under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ₹ 5,000/- are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Office equipment	3 to 5

e) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value (NRV) is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of all categories of inventory is determined using weighted average cost method.

f) Foreign currency transactions and balances

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

Dr. Reddy's Laboratories (Canada) Inc.

Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

g) *Provisions, contingent liabilities and contingent assets*

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Dr. Reddy's Laboratories (Canada) Inc.
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014
Authorised	
100 equity shares of CAD 1 each	<u>6</u>
Issued	
100 equity shares of CAD 1 each	<u>6</u>
Subscribed and paid-up	
100 equity shares of CAD 1 each	<u>6</u>
	<u>6</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014	
	No. of equity shares	Amount
Number of shares outstanding as at 29 August 2013	-	-
Shares issued during the period	100	6
Number of shares outstanding as at 31 March 2014	100	6

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of CAD 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014	
	No. of equity shares	% of equity shares
Dr. Reddy's Laboratories SA	100	100

2.2 : Reserves and surplus

	As at 31 March 2014
Securities premium account	
Balance as at 29 August 2013	-
Movement during the period	<u>58,047</u>
	<u>58,047</u>
Deficit	
Balance as at 29 August 2013	-
Add: Current period loss	<u>(24,191)</u>
Balance carried forward	<u>(24,191)</u>
	<u>33,856</u>

2.3 : Trade payables

	As at 31 March 2014
Payables to holding company and other group companies	<u>14,340</u>
	<u>14,340</u>

Dr. Reddy's Laboratories (Canada) Inc.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.4 : Other current liabilities

	As at 31 March 2014
Due to holding company and other group companies	260
Accrued expenses	2,059
Others	1,304
	<u>3,623</u>

Dr. Reddy's Laboratories (Canada) Inc.**Notes to Financial Statements**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.5 : Fixed assets**

Description	Gross Block				Depreciation				Net Block
	As at 29.08.2013	Additions	Deletions	As at 31.03.2014	As at 29.08.2013	For the year	Deletions	As at 31.03.2014	As at 31.03.2014
Office equipment	-	187	-	187	-	62	-	62	125
TOTAL	-	187	-	187	-	62	-	62	125

Dr. Reddy's Laboratories (Canada) Inc.**Notes to Financial Statements**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements**2.6 : Long term loans and advances**

	As at 31 March 2014
Security deposits	374
	<u><u>374</u></u>

2.7 : Inventories

	As at 31 March 2014
Stock-in-trade	14,340
	<u><u>14,340</u></u>

2.8 : Cash and bank balances

	As at 31 March 2014
Bank balances	
In current accounts	34,550
	<u><u>34,550</u></u>

2.9 : Short term loans and advances

	As at 31 March 2014
Other advances	335
	<u><u>335</u></u>

2.10 : Employee benefits expense

	For the period 29 August 2013 to 31 March 2014
Salaries, wages and bonus	4,483
Staff welfare expenses	509
	<u><u>4,992</u></u>

2.11 : Other expenses

	For the period 29 August 2013 to 31 March 2014
Legal and professional	8,540
Rates and taxes	188
Foreign exchange loss, net	2,780
Communication	251
Travelling and conveyance	894
Rent	1,557
Advertisements	366
Insurance	85
Other general expenses	4,476
	<u><u>19,137</u></u>

Dr. Reddy's Laboratories (Canada) Inc.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.12: Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014.

2.13: Related party disclosures

a. The Company has following related party transactions:

Particulars	For the period 29 August 2013 to 31 March 2014
i. Purchases and services from holding and other group companies:	
Dr. Reddy's Laboratories SA	14,392

b. The Company has following amounts due from / to related parties:

Particulars	As at 31 March 2014
i. Due to holding company and other group companies (included in other current liabilities):	
Dr. Reddy's Laboratories Inc.	260
ii. Due to holding company and other group companies (included in trade payables):	
Dr. Reddy's Laboratories SA	14,340

2.14: The company was incorporated on 29 August 2013. Accordingly, comparative figures are not presented.

2.15: The Company, incorporated in Canada, is a 100% subsidiary of Dr. Reddy's Laboratories SA.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for **and on behalf of the Board of Directors**

Viswanatha R. Bonthu

Director

A Ramachandra Rao

Partner

Membership No. 9750

Umang Vohra

Director

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Laboratories (EU) Limited

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in lakhs)

Particulars	31 March 2014	31 March 2013
Profit for the year after taxation	172	3,556
Balance brought forward	4,211	8,107
Buy back of shares	-	(7,452)
Balance carried forward to balance sheet	4,383	4,211

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of profit of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

R Ananthanarayanan
Director

Place: Hyderabad
Date: 9 May 2014

V V Parsuram
Director

Auditors' Report

To
**The Members of
Dr. Reddy's Laboratories (EU) Limited**

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories (EU) Limited**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the profit for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**

Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

Dr. Reddy's Laboratories (EU) Limited
Balance Sheet

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	7,231	7,231
Reserves and surplus	2.2	8,249	5,826
		<u>15,480</u>	<u>13,057</u>
Non current liabilities			
Long term borrowings	2.3	9,977	7,177
		<u>9,977</u>	<u>7,177</u>
Current liabilities			
Trade payables	2.4	1,206	608
Other current liabilities	2.5	2,274	1,449
Short term provisions	2.6	280	449
		<u>3,760</u>	<u>2,506</u>
	TOTAL	<u>29,217</u>	<u>22,740</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	6,651	6,080
Intangible assets	2.7	401	406
Capital work-in-progress		310	17
Non current investments	2.8	13,398	3,290
Deferred tax assets, net	2.22	159	218
Long term loans and advances	2.9	4	3
		<u>20,923</u>	<u>10,014</u>
Current assets			
Inventories	2.10	1,674	1,367
Trade receivables	2.11	2,977	8,841
Cash and bank balances	2.12	2,265	1,816
Short term loans and advances	2.13	738	185
Other current assets	2.14	640	517
		<u>8,294</u>	<u>12,726</u>
	TOTAL	<u>29,217</u>	<u>22,740</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

R Ananthanarayanan

Director

V V Parsuram

Director

Dr. Reddy's Laboratories (EU) Limited**Statement of Profit and Loss**

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Sales, net		8,660	10,326
Service income		206	7
Other operating revenues	2.15	688	1,419
Revenue from operations		9,554	11,752
Other income	2.16	-	32
Total revenue		9,554	11,784
Expenses			
Cost of material consumed (including packing material consumed)		1,767	1,256
Purchase of stock-in-trade (traded goods)		-	459
Changes in inventories of finished goods and work-in-progress	2.17	(206)	(440)
Employee benefits expense	2.18	3,623	2,913
Finance costs	2.19	216	206
Depreciation and amortization expense	2.7	912	869
Other expenses	2.20	2,961	2,733
Total expenses		9,273	7,996
Profit before tax		281	3,788
Tax expense			
Current tax		2	314
Deferred tax		107	(82)
Profit for the year		172	3,556

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

*for A Ramachandra Rao & Co.**Chartered Accountants*

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

R Ananthanarayanan

Director

V V Parsuram

Director

Dr. Reddy's Laboratories (EU) Limited
Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“IGAAP”) under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

Assets:

An asset is classified as current when it satisfies any of the following criteria:

- a) it is expected to be realised in, or is intended for sale or consumption in, the Company’s normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is expected to be realised within 12 months after the reporting date; or
- d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Liabilities:

A liability is classified as current when it satisfies any of the following criteria:

- a) it is expected to be settled in the Company’s normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is due to be settled within 12 months after the reporting date; or
- d) the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets/ liabilities include the current portion of non-current financial assets/ liabilities respectively. All other assets/ liabilities are classified as non-current.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Subsequent expenditure related to an item of tangible fixed asset is capitalised only if it increases the future benefits from the existing assets beyond its previously assessed standards of performance.

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ` 5,000/- are depreciated in full in the year of acquisition.

Dr. Reddy's Laboratories (EU) Limited
Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

d) *Tangible assets and depreciation (continued)*

Assets acquired on finance leases are depreciated over the period of the lease agreement or the useful life whichever is shorter. Leasehold improvements are depreciated over their estimated useful life, or the remaining period of lease, whichever is shorter.

Land is not depreciated.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Buildings	20 to 25
Plant and machinery	4 to 15
Office equipment	3 to 5

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Gains or losses from disposal of tangible fixed assets are recognised in the statement of profit and loss.

e) *Intangible assets and amortisation*

Intangible assets are recorded at the consideration paid for acquisition including any import duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use.

Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives, commencing from the date the asset is available to the Company for its use.

The management estimates the useful lives of Goodwill to be 10 years.

The amortisation period and the amortisation method for intangible assets are reviewed at each financial year-end.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and disposal. Gains or losses arising from the disposal of intangible asset are recognised in the statement of profit and loss.

f) *Investments*

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as non-current investments.

Non-current investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment. The reduction in the carrying amount is reversed when there is a rise in the value of the investment or if the reasons for the reduction no longer exist. Any reduction in the carrying amount and any reversal in such reductions are charged or credited to the statement of profit and loss.

g) *Inventories*

Inventories are valued at the lower of cost and net realisable value. Net realisable value (NRV) is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of all categories of inventory is determined using weighted average cost method.

h) *Foreign currency transactions and balances*

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

Dr. Reddy's Laboratories (EU) Limited
Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

i) Revenue recognition

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is reasonably certain, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenue from the sale of goods is net of returns, sales tax and applicable trade discounts and allowances.

Service Income

Revenue from services rendered is recognized in the statement of profit and loss as the underlying services are performed.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

j) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed at each balance sheet date and are written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Offsetting

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis.

k) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Dr. Reddy's Laboratories (EU) Limited

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
20,000,000 (previous year : 20,000,000) ordinary shares of GBP 1 each	<u>15,833</u>	<u>15,833</u>
Issued		
9,131,928 (previous year : 9,131,928) ordinary shares of GBP 1 each	<u>7,231</u>	<u>7,231</u>
Subscribed and paid-up		
9,131,928 (previous year : 9,131,928) ordinary shares of GBP 1 each	<u>7,231</u>	<u>7,231</u>
	<u>7,231</u>	<u>7,231</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	9,131,928	7,231	9,133,290	7,232
Less: Buy back of shares during the year	-	-	(1,362)	(1)
Number of shares outstanding at the end of the year	9,131,928	7,231	9,131,928	7,231

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of GBP 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Dr. Reddy's Laboratories SA	9,131,928	100	9,131,928	100

**(d) Aggregate number of shares bought back during the period of five years immediately preceding the reporting date
(Number of shares)**

Particulars	As at 31 March 2014	As at 31 March 2013
Ordinary Shares of GBP 1 each	1,362	1,362

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Foreign currency translation reserve		
Balance at the beginning of the year	1,615	1,627
Movement during the year	<u>2,251</u>	<u>(12)</u>
	<u>3,866</u>	<u>1,615</u>
Surplus		
Balance at the beginning of the year	4,211	8,107
Less: Buy back of shares during the year	-	(7,452)
Add: Current year profit	<u>172</u>	<u>3,556</u>
Balance carried forward	<u>4,383</u>	<u>4,211</u>
	<u>8,249</u>	<u>5,826</u>

Dr. Reddy's Laboratories (EU) Limited**Notes to Financial Statements**

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.3 : Long term borrowings**

	As at 31 March 2014	As at 31 March 2013
Borrowings from holding company and other group companies	-	7,177
Long term loan from bank	9,977	-
	<u>9,977</u>	<u>7,177</u>

2.4 : Trade payables

	As at 31 March 2014	As at 31 March 2013
Payables to holding company and other group companies	867	563
Payables to others	339	45
	<u>1,206</u>	<u>608</u>

2.5 Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Due to capital creditors	83	66
Accrued expenses	409	483
Sales and use tax payable	152	329
Salaries and bonus payable	296	-
Interest Accrued but not due	11	-
Due to holding company and other group companies	650	-
Others	673	571
	<u>2,274</u>	<u>1,449</u>

2.6 : Short term provisions

	As at 31 March 2014	As at 31 March 2013
Income tax payable	280	449
	<u>280</u>	<u>449</u>

Dr. Reddy's Laboratories (EU) Limited

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.7 : Fixed assets

Description	Gross Block					Depreciation					Net Block	
	As at 01.04.2013	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 01.04.2013	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Land	575	-	-	123	698	-	-	-	-	-	698	575
Building	1,077	8	-	230	1,315	373	85	-	82	540	775	704
Plant and machinery	7,691	78	-	1,641	9,410	2,896	725	-	647	4,268	5,142	4,795
Office equipment	82	38	-	17	137	76	10	-	15	101	36	6
Total tangible assets (A)	9,425	124	-	2,011	11,560	3,345	820	-	744	4,909	6,651	6,080
Goodwill	1,210	-	-	164	1,374	804	92	-	77	973	401	406
Intangibles	3,342	-	-	808	4,150	3,342	-	-	808	4,150	-	-
Total intangible assets (B)	4,552	-	-	972	5,524	4,146	92	-	885	5,123	401	406
Total (A+B)	13,977	124	-	2,983	17,084	7,491	912	-	1,629	10,032	7,052	6,486
Previous year	12,081	1,863	-	32	13,977	6,598	869	-	23	7,491	6,486	

Dr. Reddy's Laboratories (EU) Limited
Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.8 : Non current investments

	As at 31 March 2014	As at 31 March 2013
Non current investments at cost		
<i>In Subsidiary Companies</i>		
Dr. Reddy's Laboratories (UK) Limited	1	1
Chirotech Technology Limited	13,397	3,289
	<u>13,398</u>	<u>3,290</u>

2.9 : Long term loans and advances

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
<i>Considered good</i>		
Security deposits	4	3
	<u>4</u>	<u>3</u>

2.10 : Inventories

(Valued on weighted average basis)

	As at 31 March 2014	As at 31 March 2013
Raw materials	257	150
Work-in-progress	671	708
Finished goods	730	487
Packing materials	16	22
	<u>1,674</u>	<u>1,367</u>

2.11 : Trade receivables

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	493	4,556
Other debts		
Considered good	2,484	4,285
	<u>2,977</u>	<u>8,841</u>

2.12 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Bank balances		
In current accounts	2,265	1,816
	<u>2,265</u>	<u>1,816</u>

2.13 : Short term loans and advances

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
<i>Considered good</i>		
Balances with statutory agencies	545	133
Prepaid expenses	59	52
Advances to material suppliers	4	-
Other advances	130	-
	<u>738</u>	<u>185</u>

Dr. Reddy's Laboratories (EU) Limited
Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.14 : Other current assets

	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Other receivables from holding company and other group companies	64	43
Other current assets	<u>576</u>	<u>474</u>
	<u>640</u>	<u>517</u>

2.15 : Other operating revenue

	For the year ended 31 March 2014	For the year ended 31 March 2013
Royalty income	687	1,411
Miscellaneous income	<u>1</u>	<u>8</u>
	<u>688</u>	<u>1,419</u>

2.16 : Other income

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest income	<u>-</u>	<u>32</u>
	<u>-</u>	<u>32</u>

2.17 : Changes in inventories of finished goods and work-in-progress

	For the year ended 31 March 2014	For the year ended 31 March 2013
<i>Opening</i>		
Work-in-progress	708	-
Finished goods	<u>487</u>	<u>755</u>
	<u>1,195</u>	<u>755</u>
<i>Closing</i>		
Work-in-progress	671	708
Finished goods	<u>730</u>	<u>487</u>
	<u>1,401</u>	<u>1,195</u>
<i>Net increase</i>	<u>(206)</u>	<u>(440)</u>

2.18 : Employee benefits expense

	For the year ended 31 March 2014	For the year ended 31 March 2013
Salaries, wages and bonus	3,471	2,841
Staff welfare expenses	<u>152</u>	<u>72</u>
	<u>3,623</u>	<u>2,913</u>

2.19 : Finance costs

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest expenses	<u>216</u>	<u>206</u>
	<u>216</u>	<u>206</u>

Dr. Reddy's Laboratories (EU) Limited
Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.20 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Consumption of stores and spare parts	93	68
Legal and professional	175	141
Carriage outward	47	91
Rates and taxes	128	116
Selling expenses	73	390
Repairs and maintenance		
Buildings	29	29
Plant and machinery	181	196
Others	751	653
Power and fuel	672	655
Travelling and conveyance	47	37
Communication	26	25
Rent	35	68
Insurance	77	88
Foreign exchange loss, net	142	79
Auditors' remuneration	7	3
Other general expenses	478	94
	2,961	2,733

2.21 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.22 : Deferred taxation

Deferred tax asset, net included in the balance sheet comprises the following:

Particulars	As at 31 March 2014	As at 31 March 2013
Deferred tax assets / (liabilities)		
Inventories	239	216
Current assets	(19)	(16)
Fixed assets	(61)	18
Deferred tax asset, net	159	218

Dr. Reddy's Laboratories (EU) Limited

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.23: Related party disclosures

a. The Company has following related party transactions:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
i. Other operating revenues from holding company and other group companies:		
Dr. Reddy's Laboratories SA	649	867
Industrias Quimicas Falcon de Mexico S.A. de CV	10	571
Dr. Reddy's Laboratories Limited	19	-
ii. Sales and services to holding company and other group companies:		
Chirotech Technology Limited	2,701	4,218
Dr. Reddy's Laboratories Limited	73	62
Dr. Reddys Laboratories Inc.	89	1,285
Dr. Reddy's Laboratories (UK) Limited	2	-
iii. Purchases and services from holding company and other group companies:		
Chirotech Technology Limited	641	17
Dr. Reddy's Laboratories Limited	123	167
Dr. Reddys Laboratories Inc.	-	387
Industrias Quimicas Falcon de Mexico S.A. de CV	116	-
iv. Operating expenses paid / payable to holding company and other group companies:		
Chirotech Technology Limited	4,324	3,104
v. Interest expense paid / payable to holding company and other group companies:		
Dr. Reddy's Laboratories SA	98	-
vi. Guarantee commission paid / payable to holding company and other group companies:		
Dr. Reddy's Laboratories SA	14	-

b. The Company has following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due from holding company and other group companies (included in other current assets):		
Industrias Quimicas Falcon de Mexico S.A. de CV	43	43
Chirotech Technology Limited	2	-
Dr. Reddy's Laboratories Limited	19	-
ii. Due from holding company and other group companies (included in trade receivables):		
Chirotech Technology Limited	2,179	7,960
Dr. Reddy's Laboratories Limited	-	23
Dr. Reddy's Laboratories SA	134	124
Dr. Reddys Laboratories Inc.	64	-

Dr. Reddy's Laboratories (EU) Limited

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

b. The Company has following amounts due from / to related parties (continued):

Particulars	As at	As at
	31 March 2014	31 March 2013
iii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	-	23
Chirotech Technology Limited	756	540
Industrias Quimicas Falcon de Mexico S.A. de CV	111	-
iv. Due to holding company and other group companies (included in long term borrowings):		
Dr. Reddy's Laboratories SA	-	7,177
v. Due to holding company and other group companies (included in other current liabilities):		
Chirotech Technology Limited	644	-
Dr. Reddy's Laboratories Limited	6	-

2.24: Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.25: The Company, incorporated in United Kingdom, is a 100 % subsidiary of Dr. Reddy's Laboratories SA.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

R Ananthanarayanan

Director

A Ramachandra Rao

Partner

Membership No. 9750

V V Parsuram

Director

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Laboratories (Proprietary) Limited

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in lakhs)

Particulars	31 March 2014	31 March 2013
Profit for the year after taxation	248	848
Balance brought forward	632	(216)
Balance carried forward to balance sheet	880	632

Directors

During the year, Mr. Umang Vohra resigned from the Board of Directors of the Company. Dr. R Ananthanarayanan has been appointed as a Director on the Board of Directors of the Company.

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of profit of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Abhijit Mukherjee
Director

Place: Hyderabad
Date: 9 May 2014

M.V. Narasimham
Director

Auditors' Report

To
The Members of
Dr. Reddy's Laboratories (Proprietary) Limited

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories (Proprietary) Limited**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the profit for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**

Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

Dr. Reddy's Laboratories (Proprietary) Limited
Balance Sheet

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	-	-
Reserves and surplus	2.2	880	632
		<u>880</u>	<u>632</u>
Non current liabilities			
Other long term liabilities	2.3	50	120
		<u>50</u>	<u>120</u>
Current liabilities			
Trade payables	2.4	5,609	5,236
Other current liabilities	2.3	1,014	310
		<u>6,623</u>	<u>5,546</u>
	TOTAL	<u><u>7,553</u></u>	<u><u>6,298</u></u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	158	111
Intangible assets	2.5	1	2
Deferred tax assets, net	2.17	71	68
Long term loans and advances	2.6	112	40
		<u>342</u>	<u>221</u>
Current assets			
Inventories	2.7	2,583	3,043
Trade receivables	2.8	2,092	1,718
Cash and bank balances	2.9	1,721	1,188
Short term loans and advances	2.10	815	128
		<u>7,211</u>	<u>6,077</u>
	TOTAL	<u><u>7,553</u></u>	<u><u>6,298</u></u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Abhijit Mukherjee

Director

M.V. Narasimham

Director

Dr. Reddy's Laboratories (Proprietary) Limited
Statement of Profit and Loss

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Sales, net		11,608	10,957
License fees		73	79
Other operating revenues		-	1
Revenue from operations		11,681	11,037
Other income	2.11	126	332
Total revenue		11,807	11,369
Expenses			
Purchase of stock-in-trade (traded goods)		5,391	7,750
Changes in inventories of stock-in-trade	2.12	460	(2,055)
Employee benefits expense	2.13	2,578	2,121
Finance costs	2.14	18	25
Depreciation and amortization expense	2.6	53	58
Other expenses	2.15	2,972	2,399
Total expenses		11,472	10,297
Profit before tax		335	1,072
Tax expense			
Current tax		115	173
Deferred tax (benefit) / expense		(28)	51
Profit for the year		248	848

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the **Board of Directors**

Abhijit Mukherjee

Director

M.V. Narasimham

Director

Dr. Reddy's Laboratories (Proprietary) Limited

Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("IGAAP") under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

Assets:

An asset is classified as current when it satisfies any of the following criteria:

- a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is expected to be realised within 12 months after the reporting date; or
- d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Liabilities:

A liability is classified as current when it satisfies any of the following criteria:

- a) it is expected to be settled in the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is due to be settled within 12 months after the reporting date; or
- d) the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets/ liabilities include the current portion of non-current financial assets/ liabilities respectively. All other assets/ liabilities are classified as non-current.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Subsequent expenditure related to an item of tangible fixed asset is capitalised only if it increases the future benefits from the existing assets beyond its previously assessed standards of performance.

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ` 5,000/- are depreciated in full in the year of acquisition.

Dr. Reddy's Laboratories (Proprietary) Limited

Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

d) *Tangible assets and depreciation (continued)*

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Furniture and fixtures and office equipment	3 to 6
Leasehold improvements	5
Vehicles	4 to 5

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Gains or losses from disposal of tangible fixed assets are recognised in the statement of profit and loss.

e) *Intangible assets and amortisation*

Intangible assets are recorded at the consideration paid for acquisition including any import duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use.

Intangible assets are amortised on a systematic basis over the best estimate of their useful lives, commencing from the date the asset is available to the Company for its use.

The management estimates the useful lives for the various intangible assets as follows:

	Years
Intangibles	5

The amortisation period and the amortisation method for intangible assets are reviewed at each financial year-end.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and disposal. Gains or losses arising from the disposal of intangible asset are recognised in the statement of profit and loss.

f) *Inventories*

Inventories are valued at the lower of cost and net realisable value. Net realisable value (NRV) is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of all categories of inventory is determined using weighted average cost method.

g) *Foreign currency transactions and balances*

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

h) *Revenue recognition*

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is reasonably certain, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenue from the sale of goods is net of returns, sales tax and applicable trade discounts and allowances.

Dr. Reddy's Laboratories (Proprietary) Limited

Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

h) Revenue recognition (continued)

Sales returns

The Company accounts for sales returns by recording an allowance for sales returns concurrent with the recognition of revenue at the time of a product sale. This allowance is based on the Company's estimate of expected sales returns.

License fee

The Company enters into certain dossier sales, licensing and supply arrangements with various parties. Income from licensing arrangements is generally recognised over the term of the contract. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognized in the period in which the Company completes all its performance obligations.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

i) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed at each balance sheet date and are written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Offsetting

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis.

j) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Dr. Reddy's Laboratories (Proprietary) Limited

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
100 (previous year : 100) ordinary shares of Rand 1 each*	-	-
Issued		
100 (previous year : 100) ordinary shares of Rand 1 each *	-	-
Subscribed and paid-up		
100 (previous year : 100) ordinary shares of Rand 1 each *	-	-

* represents amount authorised, issued and paid-up Rs. 472 (rounded off in lakhs).

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	100	-	100	-
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	100	-	100	-

(b) Terms/rights attached to equity shares

The company has only one class of ordinary shares having a par value of Rand 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Dr. Reddy's Laboratories Limited	-	-	100	100
Dr. Reddy's Laboratories SA	100	100	-	-

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Surplus		
Balance at the beginning of the year	632	(216)
Add: Current year profit	248	848
	880	632

2.3 : Other liabilities

	As at 31 March 2014	As at 31 March 2013
a) Other long term liabilities		
Deferred revenue - non current	50	120
	50	120

Dr. Reddy's Laboratories (Proprietary) Limited

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

b) Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Accrued expenses	73	212
Sales and Use tax payable	631	-
Others	310	98
	<u>1,014</u>	<u>310</u>

2.4 : Trade payables

	As at 31 March 2014	As at 31 March 2013
Payables to holding company and other group companies	4,791	4,428
Payables to others	818	808
	<u>5,609</u>	<u>5,236</u>

Dr. Reddy's Laboratories (Proprietary) Limited

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.5 : Fixed assets

Description	Gross Block				Depreciation / Amortization				Net Block	
	As at 01.04.2013	Additions	Deletions	As at 31.03.2014	As at 01.04.2013	For the year	Deletions	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Lease hold improvements	59	-	-	59	22	12	-	34	25	37
Vehicles	20	48	-	68	5	9	-	14	54	15
Furniture and fixtures and office equipment	127	51	-	178	68	31	-	99	79	59
Total tangible assets (A)	206	99	-	305	94	52	-	146	158	111
Intangibles	56	-	-	56	54	1	-	55	1	2
Total intangible assets (B)	56	-	-	56	54	1	-	55	1	2
Total (A+B)	262	99	-	361	149	53	-	202	159	113
Previous year	269	30	37	262	124	58	33	149	113	

Dr. Reddy's Laboratories (Proprietary) Limited
Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2 : Notes to the financial statements (continued)

2.6 : Long term loans and advances

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
<i>Considered good</i>		
Advance tax, net of provision for income taxes	81	11
Security deposits	31	29
	<u>112</u>	<u>40</u>

2.7 : Inventories

(Valued on weighted average basis)

	As at 31 March 2014	As at 31 March 2013
Stock-in-trade	2,583	3,043
	<u>2,583</u>	<u>3,043</u>

2.8 : Trade receivables

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	105	71
Considered doubtful	54	37
Other debts		
Considered good	1,987	1,647
	<u>2,146</u>	<u>1,755</u>
Less : Provision for doubtful debts	(54)	(37)
	<u>2,092</u>	<u>1,718</u>

2.9 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Bank balances		
In current accounts	1,721	1,188
	<u>1,721</u>	<u>1,188</u>

2.10 : Short term loans and advances

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
<i>Considered good</i>		
Advances to material suppliers	41	-
Staff loans and advances	9	6
Prepaid expenses	119	14
Other advances	646	108
	<u>815</u>	<u>128</u>

Dr. Reddy's Laboratories (Proprietary) Limited
Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2 : Notes to the financial statements (continued)

2.11 : Other income

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest income	61	57
Foreign exchange gain, net	65	275
	<u>126</u>	<u>332</u>

2.12 : Changes in inventories of stock-in-trade

	For the year ended 31 March 2014	For the year ended 31 March 2013
<i>Opening</i>		
Stock-in-trade	3,043	987
<i>Closing</i>		
Stock-in-trade	2,583	3,043
<i>Net (increase) / decrease in stock</i>	<u>460</u>	<u>(2,055)</u>

2.13 : Employee benefits expense

	For the year ended 31 March 2014	For the year ended 31 March 2013
Salaries, wages and bonus	2,545	2,093
Staff welfare expenses	33	28
	<u>2,578</u>	<u>2,121</u>

2.14 : Finance costs

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest expenses	18	25
	<u>18</u>	<u>25</u>

2.15 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Legal and professional	66	78
Carriage outward	110	103
Selling expenses	2,081	1,554
Rent	148	159
Rates and taxes	74	-
Insurance	36	39
Auditors' remuneration	27	26
Provision on advances and receivables	18	26
Other general expenses	412	414
	<u>2,972</u>	<u>2,399</u>

2.16 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

Dr. Reddy's Laboratories (Proprietary) Limited
Notes to Financial Statements
(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.17 : Deferred taxation

Deferred tax asset, net included in the balance sheet comprises the following:

Particulars	As at 31 March 2014	As at 31 March 2013
Deferred tax assets / (liabilities)		
Trade receivables	8	4
Provisions	20	17
Inventories	28	10
Current assets	(4)	(4)
Current liabilities	(13)	(21)
Fixed assets	32	62
Deferred tax asset, net	71	68

2.18 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
i. Interest paid / payable to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	-	5
ii. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	4,318	6,916

b. The Company has the following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's Laboratories Limited	2	8
ii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	4,791	4,428

2.19 : Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.20 : The Company, incorporated in South Africa, is a 100% subsidiary of Dr. Reddy's Laboratories SA.

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the Board of Directors

Abhijit Mukherjee
Director

A Ramachandra Rao
Partner
Membership No. 9750

M.V. Narasimham
Director

Place: Hyderabad
Date: 9 May 2014

Dr. Reddy's Laboratories (UK) Limited

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in lakhs)

Particulars	31 March 2014	31 March 2013
Profit for the year after taxation	3,310	1,530
Balance brought forward	7,101	5,571
Balance carried forward to balance sheet	10,411	7,101

Directors

During the year, Dr. R. Ananthanarayanan resigned from the Board of Directors of the Company. Mr. Subir Kohli and Mr. Michael Ewers have been appointed as Directors on the Board of Directors of the Company.

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of profit of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Michael Ewers
Director

Place: Hyderabad
Date: 9 May 2014

M V Narasimham
Director

Auditors' Report

To
The Members of
Dr. Reddy's Laboratories (UK) Limited

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories (UK) Limited**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the profit for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

Dr. Reddy's Laboratories (UK) Limited
Balance Sheet

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1	1
Reserves and surplus	2.2	10,996	7,686
		10,997	7,687
Non current liabilities			
Long term borrowings	2.3	2	2
Other long term liabilities	2.4	124	576
		126	578
Current liabilities			
Trade payables	2.5	1,689	1,056
Other current liabilities	2.4	2,197	1,772
Short term provisions	2.6	62	237
		3,948	3,065
	TOTAL	15,071	11,330
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	1,586	1,922
Capital work-in-progress		12	-
Deferred tax assets, net	2.19	154	8
Long term loans and advances	2.8	209	-
		1,961	1,930
Current assets			
Inventories	2.9	2,188	537
Trade receivables	2.10	4,959	5,508
Cash and bank balances	2.11	4,800	3,090
Short term loans and advances	2.12	1,131	261
Other current assets	2.13	32	4
		13,110	9,400
	TOTAL	15,071	11,330

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the **Board of Directors**

A Ramachandra Rao
Partner
Membership No. 9750

Michael Ewers
Director

Place: Hyderabad
Date: 9 May 2014

M V Narasimham
Director

Dr. Reddy's Laboratories (UK) Limited**Statement of Profit and Loss**

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Sales, net		21,226	21,676
Service income		-	5
License fees		800	463
Other operating revenues		6	13
Revenue from operations		22,032	22,157
Other income	2.14	1,227	1
Total revenue		23,259	22,158
Expenses			
Purchase of stock-in-trade (traded goods)		14,297	12,691
Changes in inventories of stock-in-trade	2.15	(1,560)	222
Research and development expenses		42	-
Employee benefits expense	2.16	3,615	3,493
Depreciation expense	2.7	348	341
Other expenses	2.17	2,999	3,697
Total expenses		19,741	20,444
Profit before tax		3,518	1,714
Tax expense			
Current tax		150	185
Deferred tax expense / (benefit)		58	(1)
Profit for the year		3,310	1,530

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

*for A Ramachandra Rao & Co.**Chartered Accountants*

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Michael Ewers

Director

M V Narasimham

Director

Dr. Reddy's Laboratories (UK) Limited
Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("IGAAP") under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

Assets:

An asset is classified as current when it satisfies any of the following criteria:

- a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is expected to be realised within 12 months after the reporting date; or
- d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Liabilities:

A liability is classified as current when it satisfies any of the following criteria:

- a) it is expected to be settled in the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is due to be settled within 12 months after the reporting date; or
- d) the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets/ liabilities include the current portion of non-current financial assets/ liabilities respectively. All other assets/ liabilities are classified as non-current.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Subsequent expenditure related to an item of tangible fixed asset is capitalised only if it increases the future benefits from the existing assets beyond its previously assessed standards of performance.

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ` 5,000/- are depreciated in full in the year of acquisition.

Dr. Reddy's Laboratories (UK) Limited
Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

d) *Tangible assets and depreciation (continued)*

Leasehold improvements are depreciated over their estimated useful life, or the remaining period of lease, whichever is shorter.

Land is not depreciated.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Buildings	30
Plant and machinery	3 to 15
Furniture and fixtures and office equipment	3 to 10

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Gains or losses from disposal of tangible fixed assets are recognised in the statement of profit and loss.

e) *Intangible assets and amortisation*

Intangible assets are recorded at the consideration paid for acquisition including any import duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use.

Intangible assets are amortised on a systematic basis over the best estimate of their useful lives, commencing from the date the asset is available to the Company for its use.

The amortisation period and the amortisation method for intangible assets are reviewed at each financial year-end.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and disposal. Gains or losses arising from the disposal of intangible asset are recognised in the statement of profit and loss.

f) *Inventories*

Inventories are valued at the lower of cost and net realisable value. Net realisable value (NRV) is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of all categories of inventory is determined using weighted average cost method.

g) *Research and development*

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized in the statement of profit and loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if the enterprise can demonstrate all of the following:

- a. the product or the process is technically and commercially feasible;
- b. future economic benefits are probable and ascertainable;
- c. the Group intends to and has sufficient resources to complete development of the product and has the ability to use or sell the asset; and
- d. development costs can be measured reliably.

h) *Foreign currency transactions and balances*

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

Dr. Reddy's Laboratories (UK) Limited
Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

i) Revenue recognition
Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is reasonably certain, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenue from the sale of goods is net of returns, sales tax and applicable trade discounts and allowances.

Sales returns

The Company accounts for sales returns by recording an allowance for sales returns concurrent with the recognition of revenue at the time of a product sale. This allowance is based on the Company's estimate of expected sales returns.

Service Income

Revenue from services rendered is recognized in the statement of profit and loss as the underlying services are performed.

License fee

The Company enters into certain dossier sales, licensing and supply arrangements with various parties. Income from licensing arrangements is generally recognised over the term of the contract. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognized in the period in which the Company completes all its performance obligations.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

j) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed at each balance sheet date and are written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Offsetting

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis.

k) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Dr. Reddy's Laboratories (UK) Limited

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
1,000 (previous year : 1,000) equity shares of GBP 1 each	<u>1</u>	<u>1</u>
Issued		
1,000 (previous year : 1,000) equity shares of GBP 1 each	<u>1</u>	<u>1</u>
Subscribed and paid-up		
1,000 (previous year : 1,000) equity shares of GBP 1 each	<u>1</u>	<u>1</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	1,000	1	1,000	1
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	1,000	1	1,000	1

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of GBP 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Dr. Reddy's Laboratories (EU) Limited	1,000	100	1,000	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Foreign currency translation reserve		
Balance at the beginning of the year	585	456
Movement during the year	<u>-</u>	<u>129</u>
	<u>585</u>	<u>585</u>
Surplus		
Balance at the beginning of the year	7,101	5,571
Add: Current year profit	<u>3,310</u>	<u>1,530</u>
Balance carried forward	<u>10,411</u>	<u>7,101</u>
	<u>10,996</u>	<u>7,686</u>

2.3 : Long term borrowings

	As at 31 March 2014	As at 31 March 2013
Borrowings from holding company and other group companies	<u>2</u>	<u>2</u>
	<u>2</u>	<u>2</u>

Dr. Reddy's Laboratories (UK) Limited**Notes to Financial Statements**

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.4 : Other liabilities**

	As at 31 March 2014	As at 31 March 2013
a) Other long term liabilities		
Deferred revenue - non current	124	576
	<u>124</u>	<u>576</u>

b) Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Due to capital creditors	17	278
Accrued expenses	1,006	685
Salary and bonus payable	275	224
Due to statutory authorities	78	73
Others	821	512
	<u>2,197</u>	<u>1,772</u>

2.5 : Trade payables

	As at 31 March 2014	As at 31 March 2013
Payables to holding company and other group companies	1,402	798
Payables to others	287	258
	<u>1,689</u>	<u>1,056</u>

2.6 : Short term provisions

	As at 31 March 2014	As at 31 March 2013
Income tax payable	-	201
Allowance for sales returns	62	36
	<u>62</u>	<u>237</u>

Dr. Reddy's Laboratories (UK) Limited
Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.7 : Fixed assets

Description	Gross Block				Depreciation				Net Block	
	As at 01.04.2013	Additions	Deletions	As at 31.03.2014	As at 01.04.2013	For the year	Deletions	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Land	152	-	-	152	-	-	-	-	152	152
Building	1,392	-	-	1,392	328	53	-	381	1,011	1,064
Plant and machinery	2,028	-	-	2,028	1,379	253	-	1,632	396	650
Leasehold improvements	173	-	-	173	163	10	-	173	-	9
Furniture and fixtures and office equipment	442	12	1	453	395	32	1	426	27	47
Total tangible assets (A)	4,187	12	1	4,198	2,265	348	1	2,612	1,586	1,922
Intangibles	389	-	-	389	389	-	-	389	-	-
Total intangible assets (B)	389	-	-	389	389	-	-	389	-	-
Total (A+B)	4,576	12	1	4,587	2,654	348	1	3,001	1,586	1,922
Previous year	4,529	119	73	4,576	2,371	341	59	2,654	1,922	

Dr. Reddy's Laboratories (UK) Limited
Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.8 : Long term loans and advances

	As at 31 March 2014	As at 31 March 2013
Advance tax, net of provision for income taxes	209	-
	<u>209</u>	<u>-</u>

2.9 : Inventories

(Valued on weighted average basis)

	As at 31 March 2014	As at 31 March 2013
Stock-in-trade (in respect of goods acquired for trading)	1,908	348
Packing materials	280	189
	<u>2,188</u>	<u>537</u>

2.10 : Trade receivables

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	104	69
Considered doubtful	71	6
Other debts		
Considered good	4,855	5,439
	5,030	5,514
<i>Less</i> : Provision for doubtful debts	(71)	(6)
	<u>4,959</u>	<u>5,508</u>

2.11 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Cash on hand	2	1
Bank balances		
In current accounts	1,203	3,089
Cash and cash equivalents (A)	<u>1,205</u>	<u>3,090</u>
In term deposit accounts (original maturity more than 3 months)	3,595	-
Other bank balances (B)	<u>3,595</u>	<u>-</u>
Total cash and bank balances (A+B)	<u>4,800</u>	<u>3,090</u>

Dr. Reddy's Laboratories (UK) Limited
Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.12 : Short term loans and advances

(Unsecured)	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Balances with statutory agencies	592	245
Prepaid expenses	33	16
Advances to material suppliers	506	-
	<u>1,131</u>	<u>261</u>

2.13 : Other current assets

	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Other receivables from holding company and other group companies	-	4
Interest receivable	32	-
	<u>32</u>	<u>4</u>

Dr. Reddy's Laboratories (UK) Limited

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.14 : Other income

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest income	33	1
Foreign exchnage gain, net	1,194	-
	<u>1,227</u>	<u>1</u>

2.15 : Changes in inventories of stock-in-trade

	For the year ended 31 March 2014	For the year ended 31 March 2013
<i>Opening</i>		
Stock-in-trade	348	570
<i>Closing</i>		
Stock-in-trade	1,908	348
<i>Net (increase)/ decrease</i>	<u>(1,560)</u>	<u>222</u>

2.16 : Employee benefits expense

	For the year ended 31 March 2014	For the year ended 31 March 2013
Salaries, wages and bonus	3,544	3,428
Staff welfare expenses	71	65
	<u>3,615</u>	<u>3,493</u>

2.17 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Legal and professional	1,176	1,736
Carriage outward	327	315
Rates and taxes	287	289
Commision on sales	97	75
Selling expenses	113	122
Repairs and maintenance		
Plant and machinery	102	75
Others	108	119
Power and fuel	53	48
Travelling and conveyance	265	291
Rent	124	240
Provision on advances and debtors	56	-
Insurance	81	81
Foreign exchnage loss, net	-	89
Other general expenses	210	217
	<u>2,999</u>	<u>3,697</u>

Dr. Reddy's Laboratories (UK) Limited

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.18 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.19 : Deferred taxation

Deferred tax asset, net included in the balance sheet comprises the following:

Particulars	As at 31 March 2014	As at 31 March 2013
Deferred tax assets / (liabilities)		
Trade receivables	10	5
Provisions	(23)	(23)
Inventory	(9)	(9)
Current assets	-	(165)
Current liabilities	(116)	(38)
Fixed assets	292	238
Deferred tax asset, net	154	8

2.20 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
i. Sales and services rendered to holding company and other group companies:		
betapharma Arzneimittel GmbH	200	139
Dr. Reddy's Laboratories SA	126	109
Dr. Reddy's SRL	-	29
ii. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	12,203	9,377
Dr. Reddy's Laboratories (EU) Ltd.	2	-
Industrias Quimicas Falcon de Mexico SA de CV	108	-
iii. Other operating revenues from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	-	23

b. The Company has the following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due from holding company and other group companies (included in other current assets):		
Dr. Reddy's Laboratories Limited	-	4
ii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	1,402	798
iv. Due from holding company and other group companies (included in trade receivables):		
betapharma Arzneimittel GmbH	108	-

Dr. Reddy's Laboratories (UK) Limited

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.21 : Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification

2.22 : The Company, incorporated in United Kingdom, is a 100% subsidiary of Dr. Reddy's Laboratories (EU) Limited.

As per our report of even date attached

for A Ramachandra Rao & Co.

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao

Partner

Membership No. 9750

Michael Ewers

Director

Place: Hyderabad

Date: 9 May 2014

M V Narasimham

Director

Dr. Reddy's Laboratories Inc.

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in lakhs)

Particulars	31 March 2014	31 March 2013
Profit for the year after taxation	4,840	327
Balance brought forward	41,354	41,027
Balance carried forward to balance sheet	46,194	41,354

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of profit of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2014

G.V. Prasad
Director

Auditors' Report

To
The Members of
Dr. Reddy's Laboratories Inc.

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories Inc.**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the profit for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN: 002857S

A. Ramachandra Rao

Partner

Membership No.: 9750

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Laboratories Inc.**Balance Sheet**

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	5,802	5,802
Reserves and surplus	2.2	54,850	50,010
		60,652	55,812
Non current liabilities			
Long term borrowings	2.3	-	2
Other long term liabilities	2.4	1,221	65
		1,221	67
Current liabilities			
Trade payables	2.5	250,581	174,553
Other current liabilities	2.4	23,829	12,904
Short term provisions	2.6	15,699	10,379
		290,109	197,836
	TOTAL	351,982	253,715
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	4,713	250
Intangible assets	2.7	731	213
Capital work-in-progress		1,069	-
Non current investments	2.8	46,886	45,825
Deferred tax assets, net	2.21	8,565	5,311
Long term loans and advances	2.9	4,194	677
		66,158	52,276
Current assets			
Inventories	2.10	94,389	54,001
Trade receivables	2.11	133,537	107,907
Cash and bank balances	2.12	6,366	1,537
Short term loans and advances	2.13	2,847	1,463
Other current assets	2.14	48,685	36,531
		285,824	201,439
	TOTAL	351,982	253,715

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Satish Reddy

Director

G.V. Prasad

Director

Dr. Reddy's Laboratories Inc.**Statement of Profit and Loss**

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Sales, net		546,914	406,809
Service income		1,485	501
License fees		136	65
Other operating revenues		4,088	729
Revenue from operations		552,623	408,104
Other income	2.15	-	38
Total revenue		552,623	408,142
Expenses			
Purchase of stock-in-trade (traded goods)		524,845	376,976
Changes in inventories of stock-in-trade	2.16	(40,388)	(23,741)
Conversion charges		12,593	11,450
Employee benefits expense	2.17	17,861	12,585
Finance costs	2.18	16	343
Depreciation and amortization expense	2.7	608	424
Research and development		7,156	4,364
Other expenses	2.19	27,204	17,635
Total expenses		549,895	400,036
Profit before tax		2,728	8,106
Tax expense	2.23		
Current tax		657	9,270
Deferred tax benefit		(2,769)	(1,491)
Profit for the year		4,840	327

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Satish Reddy

Director

G.V. Prasad

Director

Dr. Reddy's Laboratories Inc.
Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("IGAAP") under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

Assets:

An asset is classified as current when it satisfies any of the following criteria:

- a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is expected to be realised within 12 months after the reporting date; or
- d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Liabilities:

A liability is classified as current when it satisfies any of the following criteria:

- a) it is expected to be settled in the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is due to be settled within 12 months after the reporting date; or
- d) the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets/ liabilities include the current portion of non-current financial assets/ liabilities respectively. All other assets/ liabilities are classified as non-current.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Subsequent expenditure related to an item of tangible fixed asset is capitalised only if it increases the future benefits from the existing assets beyond its previously assessed standards of performance.

Advances paid towards acquisition of tangible fixed assets outstanding at each balance sheet date are shown under long-term loans and advances. Cost of assets not ready for intended use, as on the balance sheet date, is shown as capital work-in-progress.

Dr. Reddy's Laboratories Inc.
Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

d) *Tangible assets and depreciation (continued)*

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ₹ 5,000/- are depreciated in full in the year of acquisition. Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Lease hold improvements	5 to 11
Canteen equipment	5
Electrical equipment	5
Furniture and fixtures and office equipment	3 to 8

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Gains or losses from disposal of tangible fixed assets are recognised in the statement of profit and loss.

e) *Intangible assets and amortisation*

Intangible assets are recorded at the consideration paid for acquisition including any import duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use.

Intangible assets are amortised on a systematic basis over the best estimate of their useful lives, commencing from the date the asset is available to the Company for its use.

The management estimates the useful lives for the various intangible assets as follows:

	Years
Softwares	3

The amortisation period and the amortisation method for intangible assets are reviewed at each financial year-end.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and disposal. Gains or losses arising from the disposal of intangible asset are recognised in the statement of profit and loss.

f) *Investments*

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as non-current investments.

Non-current investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment. The reduction in the carrying amount is reversed when there is a rise in the value of the investment or if the reasons for the reduction no longer exist. Any reduction in the carrying amount and any reversal in such reductions are charged or credited to the statement of profit and loss.

g) *Inventories*

Inventories are valued at the lower of cost and net realisable value. Net realisable value (NRV) is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of all categories of inventory is determined using weighted average cost method.

Dr. Reddy's Laboratories Inc.
Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

h) Research and development

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized in the statement of profit and loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if the enterprise can demonstrate all of the following:

- a. the product or the process is technically and commercially feasible;
- b. future economic benefits are probable and ascertainable;
- c. the Group intends to and has sufficient resources to complete development of the product and has the ability to use or sell the asset; and
- d. development costs can be measured reliably.

i) Employee benefits

Defined contribution plans

The company's contributions to defined contribution plans are charged to statement of profit and loss as and when the services are received from the employees.

j) Foreign currency transactions and balances

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

k) Revenue recognition

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is reasonably certain, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenue from the sale of goods is net of returns, sales tax and applicable trade discounts and allowances.

Provision for chargeback, rebates and discounts

Accrual for chargeback, rebates, discounts and medicaid payments are estimated and provided for in the year of sales and recorded as reduction of revenue. A chargeback claim is a claim made by the wholesaler for the difference between the price at which the product is initially invoiced to the wholesaler and the net price at which it is agreed to be procured from the Company. Accrual for such chargeback is made considering the factors such as historical average chargeback rate actually claimed over a period of time, current contract prices with wholesalers / other customers and estimated inventory holding by the wholesaler.

Profit share revenues

From time to time the Company enters into various marketing arrangements with its business partners for the sale of its products. Under such arrangements, the Company sells its products to the business partners at a price agreed upon in the arrangement and is also entitled to a profit share which is over and above the agreed price. Revenue in an amount equal to the agreed price is recognized on these transactions upon delivery of products to the business partners. The additional amount representing the profit share component is recognized as revenue in the period which corresponds to the ultimate sales made by business partners only when the collectability of the profit share becomes probable and a reliable measure of the profit share is available.

Dr. Reddy's Laboratories Inc.
Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

k) Revenue recognition (continued)

Service Income

Revenue from services rendered is recognized in the statement of profit and loss as the underlying services are performed.

License fee

The Company enters into certain dossier sales, licensing and supply arrangements with various parties. Income from licensing arrangements is generally recognised over the term of the contract. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognized in the period in which the Company completes all its performance obligations.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

l) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed at each balance sheet date and are written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Offsetting

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis.

m) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date and are not discounted to its present value.

Onerous contracts

A contract is considered as onerous when the expected economic benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

Dr. Reddy's Laboratories Inc.
Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

m) Provisions, contingent liabilities and contingent assets (continued)

Contingent liabilities and contingent assets

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

n) Leases

The lease arrangement is classified as either a finance lease or an operating lease, at the inception of the lease, based on

Finance leases

A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. A finance lease is recognized as an asset and a liability at the commencement of the lease, at the lower of the fair value of the asset and the present value of the minimum lease payments. Initial direct costs, if any, are also capitalized and, subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases

Other leases are operating leases, and the leased assets are not recognized on the Company's balance sheet. Payments made under operating leases are recognized in the statement of profit and loss on a straight-line basis over the term of the lease.

Dr. Reddy's Laboratories Inc.

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
1,500,000 (previous year : 1,500,000) shares of USD 10 each	<u>6,735</u>	<u>6,735</u>
Issued		
1,401,000 (previous year : 1,401,000) shares of USD 10 each	<u>5,802</u>	<u>5,802</u>
Subscribed and paid-up		
1,401,000 (previous year : 1,401,000) shares of USD 10 each	<u>5,802</u>	<u>5,802</u>
	<u>5,802</u>	<u>5,802</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No of equity shares	Amount	No of equity shares	Amount
Number of shares outstanding at the beginning of the year	1,401,000	5,802	1,401,000	5,802
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	1,401,000	5,802	1,401,000	5,802

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of USD 10 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Dr. Reddy's Laboratories Limited	-	-	401,000	29
Dr. Reddy's laboratories SA	1,401,000	100	1,000,000	71

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Securities premium reserve		
Balance at the beginning of the year	8,102	8,102
Movement during the year	<u>-</u>	<u>-</u>
	<u>8,102</u>	<u>8,102</u>
Hedging Reserve		
Balance at the beginning of the year	554	(2,410)
Movement during the year	<u>-</u>	<u>2,964</u>
	<u>554</u>	<u>554</u>
Surplus		
Balance at the beginning of the year	41,354	41,027
Add: Current year profit	<u>4,840</u>	<u>327</u>
Balance carried forward	<u>46,194</u>	<u>41,354</u>
	<u>54,850</u>	<u>50,010</u>

Dr. Reddy's Laboratories Inc.**Notes to Financial Statements**

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.3 : Long term borrowings**

	As at 31 March 2014	As at 31 March 2013
Long term maturities of finance lease obligations	-	2
	<u>-</u>	<u>2</u>

2.4 : Other liabilities**a) Other long term liabilities**

	As at 31 March 2014	As at 31 March 2013
Deferred revenue - non current	123	65
Other long term liabilities	1,098	-
	<u>1,221</u>	<u>65</u>

b) Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Current maturities of finance lease obligations	1	28
Due to capital creditors	481	25
Due to holding company and other group companies	82	136
Accrued expenses	6,171	5,678
Salary and bonus payable	3,659	2,820
Due to statutory authorities	15	55
Others	13,420	4,162
	<u>23,829</u>	<u>12,904</u>

2.5 : Trade payables

	As at 31 March 2014	As at 31 March 2013
Payables to holding company and other group companies	248,525	169,009
Payables to others	2,056	5,544
	<u>250,581</u>	<u>174,553</u>

2.6 : Short term provisions

	As at 31 March 2014	As at 31 March 2013
Provision for employee benefits	1	1
Allowance for sales returns	15,698	10,378
	<u>15,699</u>	<u>10,379</u>

Dr. Reddy's Laboratories Inc.

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.7 : Fixed assets

Description	Gross Block				Depreciation / Amortization				Net Block	
	As at 01.04.2013	Additions	Deletions	As at 31.03.2014	As at 01.04.2013	For the year	Deletions	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Lease hold improvements	663	4,386	-	5,049	569	312	-	881	4,168	94
Electrical equipment	187	229	-	416	136	111	-	247	169	51
Furniture and fixtures and office equipment	827	362	-	1,189	722	109	-	831	358	105
Canteen equipment	-	19	-	19	-	1	-	1	18	-
Total tangible assets (A)	1,677	4,996	-	6,673	1,427	533	-	1,960	4,713	250
Softwares	225	260	-	485	12	75	-	87	398	213
Other intangibles	-	333	-	333	-	-	-	-	333	-
Total intangible assets (B)	225	593	-	818	12	75	-	87	731	213
Total (A+B)	1,902	5,589	-	7,491	1,439	608	-	2,047	5,444	463
Previous year	1,929	234	261	1,902	1,257	424	242	1,439	463	

Dr. Reddy's Laboratories Inc.
Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.8 : Non current investments

Non current investments at cost	As at 31 March 2014	As at 31 March 2013
<i>In Subsidiary Companies</i>		
Dr. Reddy's Laboratories Louisiana LLC	16,180	16,180
Dr. Reddy's Laboratories Tennessee, LLC	11,196	11,196
Promius Pharma LLC	17,124	17,124
<i>In joint venture</i>		
DRANU LLC	2,386	1,325
	<u>46,886</u>	<u>45,825</u>

2.9 : Long term loans and advances

(Unsecured)	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Advance tax, net of provision for income taxes	3,285	551
Capital advances for purchase of fixed assets	756	-
Loan to holding company and other group companies	-	2
Security deposits	153	124
	<u>4,194</u>	<u>677</u>

2.10 : Inventories

(Valued on weighted average basis)

	As at 31 March 2014	As at 31 March 2013
Stock-in-trade	94,389	54,001
	<u>94,389</u>	<u>54,001</u>

2.11 : Trade receivables

(Unsecured)	As at 31 March 2014	As at 31 March 2013
Debts outstanding for a period exceeding six months		
Considered good	2,831	5,217
Considered doubtful	269	769
Other debts		
Considered good	130,706	102,690
	133,806	108,676
<i>Less : Provision for doubtful debts</i>	(269)	(769)
	<u>133,537</u>	<u>107,907</u>

2.12 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Cash on hand	1	-
Bank balances		
In current accounts	6,365	1,537
	<u>6,366</u>	<u>1,537</u>

Dr. Reddy's Laboratories Inc.
Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.13 : Short term loans and advances

(Unsecured)	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Advances to material suppliers	2,263	892
Staff loans and advances	16	8
Prepaid expenses	345	422
Other advances	223	141
<i>Considered doubtful</i>		
Other advances recoverable in cash or in kind or for value to be received	81	457
	<u>2,928</u>	<u>1,920</u>
<i>Less : Provision for doubtful loans and advances</i>	<u>(81)</u>	<u>(457)</u>
	<u>2,847</u>	<u>1,463</u>

2.14 : Other current assets

	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Other receivables from holding company and other group companies	48,685	36,528
Other current assets	-	3
	<u>48,685</u>	<u>36,531</u>

2.15 : Other income

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest income	-	38
	<u>-</u>	<u>38</u>

2.16 : Changes in inventories of stock-in-trade

	For the year ended 31 March 2014	For the year ended 31 March 2013
<i>Opening</i>		
Stock-in-trade	54,001	29,463
<i>Closing</i>		
Stock-in-trade	94,389	54,001
<i>Net increase</i>	<u>(40,388)</u>	<u>(24,538)</u>

2.17 : Employee benefits expense

	For the year ended 31 March 2014	For the year ended 31 March 2013
Salaries, wages and bonus	15,093	10,165
Contribution to provident and other funds	1,383	1,108
Staff welfare expenses	1,385	1,312
	<u>17,861</u>	<u>12,585</u>

Dr. Reddy's Laboratories Inc.
Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.18 : Finance costs

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest expenses	16	343
	<u>16</u>	<u>343</u>

2.19 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Legal and professional	4,357	2,178
Rates and taxes	91	100
Selling expenses	16,805	9,296
Repairs and maintenance		
Buildings	6	3
Plant and machinery	6	-
Others	-	2
Rent	1,659	684
Insurance	489	729
Foreign exchange loss, net	2,242	1,637
Bad debts	88	28
Provision for doubtful debts and advances	(518)	243
Loss on sale of fixed assets, net	-	16
Auditors' remuneration	67	97
Other general expenses	1,912	2,622
	<u>27,204</u>	<u>17,635</u>

2.20 : Commitments and contingent liabilities

The company is involved in certain disputes, lawsuits and claims involving patent and commercial matters that arise from time to time in the ordinary course of business. Most of the claims involve complex issues. Often, these issues are subject to uncertainties and therefore the probability of a loss, if any, being sustained and an estimate of the amount of any loss is difficult to ascertain. Consequently, for a majority of these claims, it is not possible to make a reasonable estimate of the expected financial effect, if any, that will result from ultimate resolution of the proceedings. This is due to a number of factors, including: the stage of the proceedings (in many cases trial dates have not been set) and the overall length and extent of pre-trial discovery; the entitlement of the parties to an action to appeal a decision; clarity as to theories of liability; damages and governing law; uncertainties in timing of litigation; and the possible need for further legal proceedings to establish the appropriate amount of damages, if any. Further, estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) as on 31 March 2014 is ` 302 (previous year: Nil).

2.21 : Deferred taxation

Deferred tax asset, net included in the balance sheet comprises the following:

Particulars	As at 31 March 2014	As at 31 March 2013
Deferred tax assets / (liabilities)		
Trade receivables	7,103	4,937
Inventories	719	591
Current liabilities	640	658
Current assets	(743)	(699)
Depreciation	2,895	1,401
Others	(2,049)	(1,577)
Deferred tax asset, net	<u>8,565</u>	<u>5,311</u>

Dr. Reddy's Laboratories Inc.

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.22: Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
i. Sales and services to holding company and other group companies:		
Aurigene Discovery Technologies Inc.	45	41
Dr. Reddy's Laboratories Limited	9,555	11,265
Dr. Reddy's Laboratories SA	203	88
ii. Interest income from holding company and other group companies:		
Industrias Quimicas Falcon de Mexico S.A. de C.V.	-	36
iii. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	377,160	239,681
Dr. Reddy's Laboratories SA, Switzerland	72,056	80,439
Industrias Quimicas Falcon de Mexico S.A. de C.V.	1,759	4,501
Dr. Reddy's Laboratories (EU) Limited	89	1,285
Dr. Reddy's Laboratories Louisiana LLC	12,590	16,016
Dr. Reddy's Laboratories Tennessee LLC	19,249	22,542
betapharma Arzneimittel GmbH	31,973	4,503
Chirotech Technology Limited	2	17
Promius Pharma LLC	860	-
iv. Operating and other expenses paid / payable to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	167	303
v. Royalty paid to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	376	629
vi. Commission on guarantee paid to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	-	248

b. The Company has the following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due from holding company and other group companies (included in advances and other assets):		
Dr. Reddy's Laboratories Limited	4,283	4,003
Promius Pharma LLC	36,913	27,065
Aurigene Discovery Technologies Inc.	23	11
Industrias Quimicas Falcon de Mexico S.A. de C.V.	-	2
Dr. Reddy's Laboratories New York, Inc	127	5,268
Dr. Reddy's Laboratories Tennessee, LLC	6,744	-
Dr. Reddy's Laboratories SA	592	181
Dr. Reddy's Laboratories Canada Inc.	3	-
ii. Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's Laboratories Limited	1	-
iii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	212,236	83,658
Dr. Reddy's Laboratories SA, Switzerland	2,757	69,763
Industrias Quimicas Falcon de Mexico S.A. de C.V.	709	1,268
Dr. Reddy's Laboratories (EU) Limited	64	-
Dr. Reddy's Laboratories Louisiana LLC	19,602	11,630
Dr. Reddy's Laboratories Tennessee LLC	-	959
betapharma Arzneimittel GmbH	13,157	1,713
Chirotech Technology Limited	-	18

Dr. Reddy's Laboratories Inc.

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.22: Related party disclosures (continued)

b. The Company has the following amounts due from / to related parties (continued):

Particulars	As at	As at
	31 March 2014	31 March 2013
iv. Due to related parties (included in other current liabilities):		
Dr. Reddy's Laboratories Limited	82	136

2.23: The total tax expense for the Company is computed and presented jointly with its subsidiaries as per the tax laws of United States.

2.24: Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.25: The Company, incorporated in the United States of America, is a 100% subsidiary of Dr. Reddy's Laboratories SA.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for **and on behalf of the Board of Directors**

A Ramachandra Rao

Partner

Membership No. 9750

Satish Reddy

Director

Place: Hyderabad

Date: 9 May 2014

G.V. Prasad

Director

Dr. Reddy's Laboratories International SA

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in thousands)

Particulars	31 March 2014	31 March 2013
Loss for the year after taxation	(491)	(932)
Balance brought forward	(2,444)	(1,512)
Balance carried forward to balance sheet	(2,935)	(2,444)

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of loss of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2014

G.V. Prasad
Director

Auditors' Report

To
The Members of
Dr. Reddy's Laboratories International SA

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories International SA**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

Dr. Reddy's Laboratories International SA
Balance Sheet

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	275,120	275,120
Reserves and surplus	2.2	(2,935)	(2,444)
		<u>272,185</u>	<u>272,676</u>
Current liabilities			
Other current liabilities	2.3	1,368	654
Short term provisions	2.4	231	195
		<u>1,599</u>	<u>849</u>
	TOTAL	<u>273,784</u>	<u>273,525</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	37,274	42,070
Non current investments	2.6	225,512	225,299
		<u>262,786</u>	<u>267,369</u>
Current assets			
Cash and bank balances	2.7	5,527	6,103
Short term loans and advances	2.8	1	53
Other current assets	2.9	5,470	-
		<u>10,998</u>	<u>6,156</u>
	TOTAL	<u>273,784</u>	<u>273,525</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Satish Reddy
Director

A Ramachandra Rao
Partner
Membership No. 9750

G.V. Prasad
Director

Place: Hyderabad
Date: 9 May 2014

Dr. Reddy's Laboratories International SA
Statement of Profit and Loss

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Other income		5,178	2,069
Revenue from operations		5,178	2,069
Other income	2.10	781	864
Total revenue		5,959	2,933
Expenses			
Depreciation expense	2.5	4,786	2,035
Other expenses	2.11	1,490	1,683
Total expenses		6,276	3,718
Loss before tax		(317)	(785)
Tax expense			
Current tax		174	147
Loss for the year		(491)	(932)

Significant accounting policies 1
The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **and on behalf of the Board of Directors**

A Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

G.V. Prasad
Director

Place: Hyderabad
Date: 9 May 2014

Dr. Reddy's Laboratories International SA
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("IGAAP") under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Subsequent expenditure related to an item of tangible fixed asset is capitalised only if it increases the future benefits from the existing assets beyond its previously assessed standards of performance.

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ₹ 5,000/- are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Plant and machinery	10 to 15

Depreciation method, useful lives and residual values are reviewed at each reporting date.

Gains or losses from disposal of tangible fixed assets are recognised in the statement of profit and loss.

f) Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

g) Income-tax expense

Income tax expense comprises current tax expense.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Offsetting

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis.

Dr. Reddy's Laboratories International SA
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

h) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Dr. Reddy's Laboratories International SA

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
6,900,000 (previous year: 6,900,000) equity shares of CHF 1 each	<u>372,221</u>	<u>372,221</u>
Issued		
5,100,000 (previous year: 5,100,000) equity shares of CHF 1 each	<u>275,120</u>	<u>275,120</u>
Subscribed and paid-up		
5,100,000 (previous year: 5,100,000) equity shares of CHF 1 each	<u>275,120</u>	<u>275,120</u>
	<u>275,120</u>	<u>275,120</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	5,100,000	275,120	4,600,000	245,333
Shares issued during the year	-	-	500,000	29,787
Number of shares outstanding at the end of the year	5,100,000	275,120	5,100,000	275,120

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of CHF 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Dr. Reddy's Laboratories SA	5,100,000	100	5,100,000	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Deficit		
Balance at the beginning of the year	(2,444)	(1,512)
Add: Current year loss	<u>(491)</u>	<u>(932)</u>
	<u>(2,935)</u>	<u>(2,444)</u>

2.3 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Accrued expenses	950	490
Sales and use tax payable	405	164
Others	<u>13</u>	<u>-</u>
	<u>1,368</u>	<u>654</u>

2.4 : Short term provisions

	As at 31 March 2014	As at 31 March 2013
Income tax payable	<u>231</u>	<u>195</u>
	<u>231</u>	<u>195</u>

Dr. Reddy's Laboratories International SA

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.5 : Fixed assets

Description	Gross Block				Depreciation				Net Block	
	As at 01.04.2013	Additions	Deletions	As at 31.03.2014	As at 01.04.2013	For the year	Deletions	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Plant and machinery	44,105	-	10	44,095	2,035	4,786	-	6,821	37,274	42,070
Total tangible assets	44,105	-	10	44,095	2,035	4,786	-	6,821	37,274	42,070
Previous year	-	44,105	-	44,105	-	2,035	-	2,035	42,070	

Dr. Reddy's Laboratories International SA
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.6 : Non current investments

Non current investments at cost	As at 31 March 2014	As at 31 March 2013
<i>In Subsidiary Companies</i>		
Dr. Reddy's Laboratories New York Inc.	225,299	225,299
OOO Dr. Reddy's Laboratories Limited	213	-
	<u>225,512</u>	<u>225,299</u>

2.7 : Cash and bank balances

Bank balances	As at 31 March 2014	As at 31 March 2013
In current accounts	<u>5,527</u>	<u>6,103</u>
	<u>5,527</u>	<u>6,103</u>

2.8 : Short term loans and advances

(Unsecured) Considered good	As at 31 March 2014	As at 31 March 2013
Balances with statutory agencies	<u>1</u>	<u>53</u>
	<u>1</u>	<u>53</u>

2.9 : Other current assets

Other receivables from holding company and other group companies	As at 31 March 2014	As at 31 March 2013
	<u>5,470</u>	<u>-</u>
	<u>5,470</u>	<u>-</u>

2.10 : Other income

Interest income	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest income	2	2
Foreign exchange gain, net	779	862
	<u>781</u>	<u>864</u>

2.11 : Other expenses

Legal and professional	For the year ended 31 March 2014	For the year ended 31 March 2013
Legal and professional	1,187	832
Rates and taxes	-	296
Bank charges	27	57
Auditors' remuneration	265	360
Other general expenses	11	138
	<u>1,490</u>	<u>1,683</u>

Dr. Reddy's Laboratories International SA

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.13: Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.14: Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
i. Rental income from holding company and other group companies:		
Dr. Reddy's Laboratories SA	5,178	2,069

b. The Company has the following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due from holding company and other group companies (included in other current assets):		
Dr. Reddy's Laboratories SA	5,470	-

2.15: Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.16: The Company, incorporated in the Switzerland, is a 100% subsidiary of Dr. Reddy's Laboratories SA.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the **Board of Directors**

Satish Reddy

Director

A Ramachandra Rao

Partner

Membership No. 9750

G.V. Prasad

Director

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Laboratories, LLC Ukraine

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in lakhs)

Particulars	31 March 2014	31 March 2013
Loss for the year after taxation	(682)	(823)
Balance brought forward	(826)	(3)
Balance carried forward to balance sheet	(1,508)	(826)

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of loss of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Place: Hyderabad
Date: 9 May 2014

M Raja Sarath Chandra
Director

Auditors' Report

To
The Members of
Dr. Reddy's Laboratories, LLC Ukraine

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories, LLC Ukraine**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**

Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

Dr. Reddy's Laboratories, LLC Ukraine
Balance Sheet

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	709	709
Reserves and surplus	2.2	(1,508)	(826)
		<u>(799)</u>	<u>(117)</u>
Current liabilities			
Trade payables	2.3	15,373	11,711
Other current liabilities	2.4	249	558
Short term provisions	2.5	21	14
		<u>15,643</u>	<u>12,283</u>
	TOTAL	<u>14,844</u>	<u>12,166</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	353	6
Intangible assets	2.6	8	4
Capital work-in-progress		9	-
Deferred tax assets, net	2.17	686	174
Long term loans and advances	2.7	135	-
		<u>1,191</u>	<u>184</u>
Current assets			
Inventories	2.8	8,990	6,348
Trade receivables	2.9	2,802	4,960
Cash and bank balances	2.10	1,798	638
Short term loans and advances	2.11	63	36
		<u>13,653</u>	<u>11,982</u>
	TOTAL	<u>14,844</u>	<u>12,166</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

M Raja Sarath Chandra

Director

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Laboratories, LLC Ukraine
Statement of Profit and Loss

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Sales, net		18,501	11,283
Revenue from operations		18,501	11,283
Other income	2.12	207	8
Total revenue		18,708	11,291
Expenses			
Purchase of stock-in-trade (traded goods)		18,302	17,090
Changes in inventory of stock-in-trade	2.13	(2,648)	(5,740)
Employee benefits expense	2.14	746	250
Depreciation and amortization expense	2.6	93	4
Other expenses	2.15	3,582	641
Total expenses		20,075	12,245
Loss before tax		(1,367)	(954)
Tax expense			
Current tax		4	30
Deferred tax benefit		(689)	(161)
Loss for the year		(682)	(823)

Significant accounting policies 1
The accompanying notes are an integral part of financial statements

As per our report of even date attached

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao
Partner
Membership No. 9750

M Raja Sarath Chandra
Director

Place: Hyderabad
Date: 9 May 2014

Dr. Reddy's Laboratories, LLC Ukraine
Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("IGAAP") under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

Assets:

An asset is classified as current when it satisfies any of the following criteria:

- a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is expected to be realised within 12 months after the reporting date; or
- d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Liabilities:

A liability is classified as current when it satisfies any of the following criteria:

- a) it is expected to be settled in the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is due to be settled within 12 months after the reporting date; or
- d) the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets/ liabilities include the current portion of non-current financial assets/ liabilities respectively. All other assets/ liabilities are classified as non-current.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Subsequent expenditure related to an item of tangible fixed asset is capitalised only if it increases the future benefits from the existing assets beyond its previously assessed standards of performance.

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ` 5,000/- are depreciated in full in the year of acquisition.

Dr. Reddy's Laboratories, LLC Ukraine

Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

d) *Tangible assets and depreciation (continued)*

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Leasehold improvements	5
Office equipment	3 to 5

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Gains or losses from disposal of tangible fixed assets are recognised in the statement of profit and loss.

e) *Intangible assets and amortisation*

Intangible assets are recorded at the consideration paid for acquisition including any import duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use.

Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives, commencing from the date the asset is available to the Company for its use.

The management estimates the useful life of intangible assets as follows:

	Years
Softwares	3

The amortisation period and the amortisation method for intangible assets are reviewed at each financial year-end.

f) *Inventories*

Inventories are valued at the lower of cost and net realisable value. Net realisable value (NRV) is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of all categories of inventory is determined using weighted average cost method.

g) *Employee benefits*

Defined contribution plans

The company's contributions to defined contribution plans are charged to statement of profit and loss as and when the services are received from the employees.

h) *Foreign currency transactions and balances*

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

i) *Revenue recognition*

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is reasonably certain, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenue from the sale of goods is net of returns, sales tax and applicable trade discounts and allowances.

Dr. Reddy's Laboratories, LLC Ukraine
Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

i) Revenue recognition (continued)

Sales returns

The Company accounts for sales returns by recording an allowance for sales returns concurrent with the recognition of revenue at the time of a product sale. This allowance is based on the Company's estimate of expected sales returns.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

j) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed at each balance sheet date and are written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Offsetting

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis.

k) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Dr. Reddy's Laboratories, LLC Ukraine
Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
UAH 11,967,724 (previous year : UAH 11,967,724) *	<u>709</u>	<u>709</u>
Issued		
UAH 11,967,724 (previous year : UAH 11,967,724) *	<u>709</u>	<u>709</u>
Subscribed and paid-up		
UAH 11,967,724 (previous year : UAH 11,967,724) *	<u>709</u>	<u>709</u>
	<u>709</u>	<u>709</u>

* No concept of nature and number of shares in this company.

Details of shareholders holding more than 5% shares capital in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	Amount in UAH ('lakhs)	% of equity shares	Amount in UAH ('lakhs)	% of equity shares
Dr. Reddy's Laboratories SA	120	100	120	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Deficit		
Balance at the beginning of the year	(826)	(3)
Add: Current year loss	<u>(682)</u>	<u>(823)</u>
	<u>(1,508)</u>	<u>(826)</u>

2.3 : Trade payables

	As at 31 March 2014	As at 31 March 2013
Payables to holding company and other group	15,267	9,971
Payables to others	<u>106</u>	<u>1,740</u>
	<u>15,373</u>	<u>11,711</u>

2.4 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Accrued expenses	219	515
Others	<u>30</u>	<u>43</u>
	<u>249</u>	<u>558</u>

2.5 : Short term provisions

	As at 31 March 2014	As at 31 March 2013
Provision for employee benefits	21	10
Income tax payable	<u>-</u>	<u>4</u>
	<u>21</u>	<u>14</u>

Dr. Reddy's Laboratories, LLC Ukraine

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.6 : Fixed assets

Particulars	Gross Block				Depreciation / Amortization				Net Block	
	As at 01.04.2013	Additions	Deletions	As at 31.03.2014	As at 01.04.2013	For the year	Deletions	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Leasehold improvements	-	196	-	196	-	7	-	7	189	-
Office equipment	10	242	-	252	4	84	-	88	164	6
Total tangible assets (A)	10	438	-	448	4	91	-	95	353	6
Softwares	4	6	-	10	-	2	-	2	8	4
Total intangible assets (B)	4	6	-	10	-	2	-	2	8	4
Total (A+B)	14	444	-	458	4	93	-	97	361	10
Previous year	4	11	1	14	1	4	1	4	10	

Dr. Reddy's Laboratories, LLC Ukraine
Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.7 : Long term loans and advances

	As at 31 March 2014	As at 31 March 2013
Advance tax, net of provision for income taxes	120	-
Security deposits	15	-
	<u>135</u>	<u>-</u>

2.8 : Inventories

(Valued on weighted average basis)

	As at 31 March 2014	As at 31 March 2013
Stock-in-trade	8,990	6,342
Packing materials	-	6
	<u>8,990</u>	<u>6,348</u>

2.9 : Trade receivables

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
Debts outstanding for a period exceeding six months	-	-
Other debts		
Considered good	2,802	4,960
	<u>2,802</u>	<u>4,960</u>

2.10 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Bank balances		
In current accounts	1,798	638
	<u>1,798</u>	<u>638</u>

2.11 : Short term loans and advances

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
<i>Considered good</i>		
Advances to material suppliers	16	32
Staff loans and advances	3	1
Prepaid expenses	6	3
Other advances	38	-
	<u>63</u>	<u>36</u>

Dr. Reddy's Laboratories, LLC Ukraine
Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.7 : Long term loans and advances

	As at 31 March 2014	As at 31 March 2013
Advance tax, net of provision for income taxes	120	-
Security deposits	15	-
	<u>135</u>	<u>-</u>

2.12 : Other income

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest income	7	8
Rental income	200	-
	<u>207</u>	<u>8</u>

2.13 : Changes in inventory of stock-in-trade

	For the year ended 31 March 2014	For the year ended 31 March 2013
<i>Opening</i>		
Stock-in-trade	6,342	602
<i>Closing</i>		
Stock-in-trade	8,990	6,342
<i>Net increase</i>	<u>(2,648)</u>	<u>(5,740)</u>

2.14 : Employee benefits expense

	For the year ended 31 March 2014	For the year ended 31 March 2013
Salaries, wages and bonus	566	198
Contribution to provident and other funds	153	45
Staff welfare expenses	27	7
	<u>746</u>	<u>250</u>

2.15 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Foreign exchange loss, net	2,265	207
Other selling and general expenses	1,317	434
	<u>3,582</u>	<u>641</u>

Dr. Reddy's Laboratories, LLC Ukraine**Notes to Financial Statements**

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.16 : Commitments and contingent liabilities**

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.17 : Deferred taxation

Deferred tax asset, net included in the balance sheet comprises the following:

Particulars	As at	As at
	31 March 2014	31 March 2013
Deferred tax assets / (liabilities)		
Losses carry forward	650	-
Provisions	35	108
Fixed assets	2	-
Inventories	-	66
Deferred tax asset, net	686	174

2.18 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended	For the year ended
	31 March 2014	31 March 2013
i. Purchases / (goods returned) and services received from holding and other companies within the group:		
Dr. Reddy's Laboratories Limited	17,897	13,531
Dr. Reddy's Laboratories SA	(217)	686

b. The Company has the following amounts due from / to related parties:

Particulars	As at	As at
	31 March 2014	31 March 2013
i. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	15,267	9,675
Dr. Reddy's Laboratories SA	-	296

2.19 : Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.20 : The Company, incorporated in Ukraine, is a 100% subsidiary of Dr. Reddy's Laboratories SA.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

M Raja Sarath Chandra

Director

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Laboratories Louisiana LLC

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in lakhs)

Particulars	31 March 2014	31 March 2013
Profit for the year after taxation	7,165	18,239
Balance brought forward	15,869	(2,370)
Balance carried forward to balance sheet	23,034	15,869

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of profit of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2014

G.V. Prasad
Director

Auditors' Report

To
The Members of
Dr. Reddy's Laboratories Louisiana LLC

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories Louisiana LLC**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the profit for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**

Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

Dr. Reddy's Laboratories Louisiana LLC
Balance Sheet

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital		-	-
Reserves and surplus	2.1	47,365	36,387
		<u>47,365</u>	<u>36,387</u>
Current liabilities			
Trade payables	2.2	1,019	2,062
Other current liabilities	2.3	2,497	2,370
		<u>3,516</u>	<u>4,432</u>
	TOTAL	<u>50,881</u>	<u>40,819</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.4	15,474	12,185
Intangible assets	2.4	2,038	2,412
Capital work-in-progress		1,595	3,273
Long term loans and advances	2.5	344	73
		<u>19,451</u>	<u>17,943</u>
Current assets			
Inventories	2.6	6,454	5,256
Trade receivables	2.7	23,616	16,134
Cash and bank balances	2.8	1,050	1,232
Short term loans and advances	2.9	310	243
Other current assets	2.10	-	11
		<u>31,430</u>	<u>22,876</u>
	TOTAL	<u>50,881</u>	<u>40,819</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

G.V. Prasad
Director

Place: Hyderabad
Date: 9 May 2014

Dr. Reddy's Laboratories Louisiana LLC
Statement of Profit and Loss

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Sales, net		45,826	50,651
Other operating revenues		21	7
Total revenue		45,847	50,658
Expenses			
Cost of material consumed (including packing material consumed)		14,355	14,762
Changes in inventories of finished goods and work-in-progress	2.11	(1,275)	4
Conversion charges		-	17
Employee benefits expense	2.12	14,399	10,965
Finance costs		4	-
Depreciation and amortization expense	2.4	2,018	1,570
Other expenses	2.13	9,181	5,102
Total expenses		38,682	32,419
Profit before tax		7,165	18,239
Tax expense	2.16	-	-
Profit for the year		7,165	18,239

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao

Partner

Membership No. 9750

Satish Reddy

Director

G.V. Prasad

Director

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Laboratories Louisiana LLC
Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("IGAAP") under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

Assets:

An asset is classified as current when it satisfies any of the following criteria:

- a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is expected to be realised within 12 months after the reporting date; or
- d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Liabilities:

A liability is classified as current when it satisfies any of the following criteria:

- a) it is expected to be settled in the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is due to be settled within 12 months after the reporting date; or
- d) the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets/ liabilities include the current portion of non-current financial assets/ liabilities respectively. All other assets/ liabilities are classified as non-current.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Subsequent expenditure related to an item of tangible fixed asset is capitalised only if it increases the future benefits from the existing assets beyond its previously assessed standards of performance.

Dr. Reddy's Laboratories Louisiana LLC
Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

d) *Tangible assets and depreciation (continued)*

Advances paid towards acquisition of tangible fixed assets outstanding at each balance sheet date are shown under long-term loans and advances. Cost of assets not ready for intended use, as on the balance sheet date, is shown as capital work-in-progress.

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ` 5,000/- are depreciated in full in the year of acquisition.

Assets acquired on finance leases are depreciated over the period of the lease agreement or the useful life whichever is shorter. Leasehold improvements are depreciated over their estimated useful life, or the remaining period of lease, whichever is shorter.

Land is not depreciated.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Buildings	20 to 30
Plant and machinery	3 to 15
Electrical equipment	5 to 15
Laboratory equipment	5 to 15
Furniture, fixtures and office equipment	3 to 10
Vehicles	5

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Gains or losses from disposal of tangible fixed assets are recognised in the statement of profit and loss.

e) *Intangible assets and amortisation*

Intangible assets are recorded at the consideration paid for acquisition including any import duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use.

Intangible assets are amortised on a systematic basis over the best estimate of their useful lives, commencing from the date the asset is available to the Company for its use.

The management estimates the useful lives for the various intangible assets as follows:

	Years
Goodwill	10
Customer related intangibles	2 to 11
Patents, trademarks, etc. (including marketing/ distribution rights)	3 to 16

The amortisation period and the amortisation method for intangible assets are reviewed at each financial year-end.

f) *Inventories*

Inventories are valued at the lower of cost and net realisable value. Net realisable value (NRV) is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of all categories of inventory is determined using weighted average cost method.

Dr. Reddy's Laboratories Louisiana LLC
Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

g) Employee benefits

Defined contribution plans

The company's contributions to defined contribution plans are charged to statement of profit and loss as and when the services are received from the employees.

h) Foreign currency transactions and balances

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

i) Revenue recognition

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is reasonably certain, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue from the sale of goods is net of returns, sales tax and applicable trade discounts and allowances.

Provision for chargeback, rebates and discounts

Accrual for chargeback, rebates, discounts and medicaid payments are estimated and provided for in the year of sales and recorded as reduction of revenue. A chargeback claim is a claim made by the wholesaler for the difference between the price at which the product is initially invoiced to the wholesaler and the net price at which it is agreed to be procured from the Company. Accrual for such chargeback is made considering the factors such as historical average chargeback rate actually claimed over a period of time, current contract prices with wholesalers / other customers and estimated inventory holding by the wholesaler.

Sales returns

The Company accounts for sales returns by recording an allowance for sales returns concurrent with the recognition of revenue at the time of a product sale. This allowance is based on the Company's estimate of expected sales returns.

j) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

k) Government grants

The Company recognizes government grants only when there is reasonable assurance that the conditions attached to them will be complied with, and the grants will be received. Government grants received in relation to assets are presented as a reduction from the carrying amount of the related asset. Revenue Grants are deducted in reporting the related expense.

Dr. Reddy's Laboratories Louisiana LLC

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
<i>Foreign currency translation reserve</i>		
Balance at the beginning of the year	4,314	3,252
Movement during the year	<u>3,813</u>	<u>1,062</u>
	<u>8,127</u>	<u>4,314</u>
<i>Securities premium reserve</i>		
Balance at the beginning of the year	16,204	16,204
Movement during the year	<u>-</u>	<u>-</u>
	<u>16,204</u>	<u>16,204</u>
<i>Surplus</i>		
Balance at the beginning of the year	15,869	(2,370)
Add: Current year profit	<u>7,165</u>	<u>18,239</u>
Balance carried forward	<u>23,034</u>	<u>15,869</u>
	<u>47,365</u>	<u>36,387</u>

2.2 : Trade payables

	As at 31 March 2014	As at 31 March 2013
Payables to holding company and other group companies	353	978
Payables to others	<u>666</u>	<u>1,084</u>
	<u>1,019</u>	<u>2,062</u>

2.3 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Due to capital creditors	266	437
Salary and bonus payable	1,174	1,148
Accrued expenses	487	554
Others	<u>570</u>	<u>231</u>
	<u>2,497</u>	<u>2,370</u>

Dr. Reddy's Laboratories Louisiana LLC

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.4 : Fixed assets

Description	Gross Block					Depreciation / Amortization					Net Block	
	As at 01.04.2013	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 01.04.2013	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Land	375	90	-	38	503	-	-	-	-	-	503	375
Building	5,304	1,216	-	534	7,054	941	263	-	94	1,298	5,756	4,363
Plant and machinery	8,782	1,668	-	889	11,339	2,663	897	-	270	3,830	7,509	6,119
Electrical equipment	573	59	-	59	691	59	56	-	5	120	571	514
Laboratory equipment	444	261	-	43	748	44	54	-	4	102	646	400
Office equipment	200	94	-	21	315	110	42	-	12	164	150	90
Furniture and fixtures	557	67	28	57	653	234	75	16	23	316	338	323
Vehicles	2	-	-	-	2	1	-	-	-	1	1	1
Total tangible assets (A)	16,237	3,455	28	1,641	21,305	4,052	1,387	16	408	5,831	15,474	12,185
Customer contract	4,343	-	-	450	4,793	3,931	135	-	398	4,464	329	412
Goodwill	2,053	-	-	213	2,266	1,004	232	-	100	1,336	930	1,049
Patents and trademarks	271	-	-	28	299	271	-	-	28	299	0	-
Other intangibles	2,017	-	-	209	2,226	1,066	264	-	117	1,447	779	951
Total intangible assets (B)	8,684	-	-	900	9,584	6,272	631	-	643	7,546	2,038	2,412
Total (A+B)	24,921	3,455	28	2,541	30,889	10,324	2,018	16	1,051	13,376	17,513	14,597
Previous year	20,629	2,970	52	1,374	24,921	8,228	1,570	16	540	10,324	14,597	

Dr. Reddy's Laboratories Louisiana LLC
Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.5 : Long term loans and advances

(Unsecured)	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Capital advances for purchase of fixed assets	344	73
	<u>344</u>	<u>73</u>

2.6 : Inventories

(Valued on weighted average basis)

	As at 31 March 2014	As at 31 March 2013
Raw materials	1,956	2,389
Work-in-progress	2,067	1,103
Finished goods	1,219	908
Stores and spares	877	534
Packing materials	335	322
	<u>6,454</u>	<u>5,256</u>

2.7 : Trade receivables

(Unsecured)	As at 31 March 2014	As at 31 March 2013
Debts outstanding for a period exceeding six months	12,908	2,661
Other debts		
Considered good	10,708	13,473
	<u>23,616</u>	<u>16,134</u>

2.8 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Bank balances		
In current accounts	1,050	1,232
	<u>1,050</u>	<u>1,232</u>

2.9 : Short term loans and advances

(Unsecured)	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Advances to material suppliers	66	16
Staff loans and advances	-	1
Prepaid expenses	113	87
Other advances	131	139
<i>Considered doubtful</i>		
Other advances recoverable in cash or in kind or for value to be received	-	14
	310	257
<i>Less</i> : Provision for doubtful loans and advances	-	(14)
	<u>310</u>	<u>243</u>

Dr. Reddy's Laboratories Louisiana LLC
Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.10 : Other current assets

	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Other receivables from holding company to other group companies	-	11
	<u>-</u>	<u>11</u>

2.11 : Changes in inventories of finished goods and work-in-progress

	For the year ended 31 March 2014	For the year ended 31 March 2013
<i>Opening</i>		
Work-in-process	1,103	1,057
Finished goods	908	958
	<u>2,011</u>	<u>2,015</u>
<i>Closing</i>		
Work-in-process	2,067	1,103
Finished goods	1,219	908
	<u>3,286</u>	<u>2,011</u>
<i>Net (increase) / decrease</i>	<u>(1,275)</u>	<u>4</u>

2.12 : Employee benefits expense

	For the year ended 31 March 2014	For the year ended 31 March 2013
Salaries, wages and bonus	13,352	10,342
Contribution to provident and other funds	319	317
Staff welfare expenses	728	306
	<u>14,399</u>	<u>10,965</u>

2.13 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Consumption of Stores and spare parts	1,988	1,262
Legal and professional	1,972	283
Rates and taxes	669	492
Selling expenses	14	1
Repairs and maintenance		
Plant and machinery	1,475	1,030
Others	1,641	707
Power and fuel	712	623
Rent	87	9
Insurance	216	176
Provision for doubtful debts and advances	(15)	12
Loss on sale of fixed assets, net	10	14
Other general expenses	412	493
	<u>9,181</u>	<u>5,102</u>

Dr. Reddy's Laboratories Louisiana LLC

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.14: Commitments and contingent liabilities

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is as on 31 March 2014 ` 1,214 (previous year: ` 602).

2.15: Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
i. Sales and services rendered to holding company and other group companies:		
Dr. Reddy's Laboratories Inc.	12,590	16,016
ii. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	968	2,115

b. The Company has the following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due from holding company and other group companies (included in other current assets):		
Dr. Reddy's Laboratories Tennessee, LLC	-	11
ii. Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's Laboratories Inc.	19,602	11,630
iii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	353	978

2.16: The tax expense for the company is computed and presented together with the parent company's (Dr. Reddy's Laboratories Inc.) financial statements as per the tax laws of the United States.

2.17: Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.18: The Company, incorporated in USA, is a wholly owned subsidiary of Dr. Reddy's Laboratories Inc.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Satish Reddy

Director

A Ramachandra Rao

Partner

Membership No. 9750

G.V. Prasad

Director

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Laboratories New York, Inc.

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in thousands)

Particulars	31 March 2014	31 March 2013
Loss for the year after taxation	(811,206)	(420,192)
Balance brought forward	(615,617)	(195,425)
Balance carried forward to balance sheet	(1,426,823)	(615,617)

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of loss of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

G.V. Prasad
Director

Place: Hyderabad
Date: 9 May 2014

Satish Reddy
Director

Auditors' Report

To
The Members of
Dr. Reddy's Laboratories New York, Inc.

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories New York, Inc.**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

Dr. Reddy's Laboratories New York, Inc.**Balance Sheet**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	130	130
Reserves and surplus	2.2	6,176	726,274
		<u>6,306</u>	<u>726,404</u>
Share Application money pending allotment		1,336,884	-
Current liabilities			
Trade payables	2.3	46,757	15,149
Other current liabilities	2.4	133,025	664,665
Short term provisions	2.5	106	96
		<u>179,888</u>	<u>679,910</u>
	TOTAL	<u>1,523,078</u>	<u>1,406,314</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	1,262,639	110,327
Intangible assets	2.6	108,596	111,963
Capital work-in-progress		35,821	927,462
Long term loans and advances	2.7	1,724	1,817
		<u>1,408,781</u>	<u>1,151,569</u>
Current assets			
Inventories	2.8	-	187,858
Cash and bank balances	2.9	28,762	29,733
Short term loans and advances	2.10	85,535	37,154
		<u>114,297</u>	<u>254,745</u>
	TOTAL	<u>1,523,078</u>	<u>1,406,314</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

G.V. Prasad

Director

Satish Reddy

Director

Dr. Reddy's Laboratories New York, Inc.**Statement of Profit and Loss**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Other operating revenues		1,017	128
Revenue from operations		1,017	128
Other income	2.11	123	751
Total revenue		1,140	879
Expenses			
Cost of material consumed (including packing material consumed)		90,168	252,706
Changes in inventories of finished goods and work in progress	2.12	118,194	(107,434)
Research and development expenses		109,475	-
Employee benefits expense	2.13	157,987	88,305
Finance costs	2.14	3	64
Depreciation and amortization expense	2.6	57,061	27,792
Other expenses	2.15	279,458	159,638
Total expenses		812,346	421,071
Loss before tax		(811,206)	(420,192)
Tax expense		-	-
Loss for the year		(811,206)	(420,192)

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

G.V. Prasad

Director

A Ramachandra Rao

Partner

Membership No. 9750

Satish Reddy

Director

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Laboratories New York, Inc.

Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("IGAAP") under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Subsequent expenditure related to an item of tangible fixed asset is capitalised only if it increases the future benefits from the existing assets beyond its previously assessed standards of performance.

Advances paid towards acquisition of tangible fixed assets outstanding at each balance sheet date are shown under long-term loans and advances. Cost of assets not ready for intended use, as on the balance sheet date, is shown as capital work-in-progress.

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ` 5,000/- are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Buildings	14
Plant and machinery	3 to 15
Electrical equipment	5
Furniture and fixtures and office equipment	3 to 6

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Gains or losses from disposal of tangible fixed assets are recognised in the statement of profit and loss.

Dr. Reddy's Laboratories New York, Inc.

Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

e) *Intangible assets and amortisation*

Intangible assets are recorded at the consideration paid for acquisition including any import duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use.

Intangible assets are amortised on a systematic basis over the best estimate of their useful lives, commencing from the date the asset is available to the Company for its use.

The management estimate of the useful lives for the various intangible assets is between 5 to 10 years.

The amortisation period and the amortisation method for intangible assets are reviewed at each financial year-end.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and disposal. Gains or losses arising from the disposal of intangible asset are recognised in the statement of profit and loss.

f) *Inventories*

Inventories are valued at the lower of cost and net realisable value. Net realisable value (NRV) is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of all categories of inventory is determined using weighted average cost method.

g) *Research and development*

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized in the statement of profit and loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if the enterprise can demonstrate all of the following:

- a. the product or the process is technically and commercially feasible;
- b. future economic benefits are probable and ascertainable;
- c. the Group intends to and has sufficient resources to complete development of the product and has the ability to use or sell the asset; and
- d. development costs can be measured reliably.

h) *Employee benefits*

Defined contribution plans

The company's contributions to defined contribution plans are charged to statement of profit and loss as and when the services are received from the employees.

i) *Foreign currency transactions and balances*

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

Dr. Reddy's Laboratories New York, Inc.

Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

j) *Interest income*

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

k) *Provisions, contingent liabilities and contingent assets*

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Dr. Reddy's Laboratories New York, Inc.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2 : Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
30,000 (previous year : 30,000) shares of USD 0.10 each	<u>156</u>	<u>156</u>
Issued		
25,000 (previous year : 25,000) shares of USD 0.10 each	<u>130</u>	<u>130</u>
Subscribed and paid-up		
25,000 (previous year : 25,000) shares of USD 0.10 each	<u>130</u>	<u>130</u>
	<u>130</u>	<u>130</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	25,000	130	5,000	23
Shares issued during the year	-	-	20,000	107
Number of shares outstanding at the end of the year	25,000	130	25,000	130

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of USD 0.10 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Dr. Reddy's Laboratories International SA	5,000	20	5,000	20
Dr Reddy's Laboratories SA	20,000	80	20,000	80

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Foreign currency translation reserve		
Balance at the beginning of the year	38,421	25,666
Movement during the year	<u>91,109</u>	<u>12,755</u>
	<u>129,529</u>	<u>38,421</u>
Securities premium reserve		
Balance at the beginning of the year	1,303,470	225,277
Movement during the year	<u>-</u>	<u>1,078,193</u>
	<u>1,303,470</u>	<u>1,303,470</u>
Deficit		
Balance at the beginning of the year	(615,617)	(195,425)
Add: Current year loss	<u>(811,206)</u>	<u>(420,192)</u>
Balance carried forward	<u>(1,426,823)</u>	<u>(615,617)</u>
	<u>6,176</u>	<u>726,274</u>

Dr. Reddy's Laboratories New York, Inc.**Notes to Financial Statements**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2 : Notes to financial statements (continued)**2.3 : Trade payables**

	As at 31 March 2014	As at 31 March 2013
Trade payable	46,757	15,149
	<u>46,757</u>	<u>15,149</u>

2.4 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Due to capital creditors	7,204	2,321
Due to holding company and other group companies	12,721	526,784
Salary and bonus payable	11,233	6,556
Accrued expenses	58,925	33,625
Others	42,942	95,379
	<u>133,025</u>	<u>664,665</u>

2.5 : Short term provisions

	As at 31 March 2014	As at 31 March 2013
Provision for employee benefits	106	96
	<u>106</u>	<u>96</u>

Dr. Reddy's Laboratories New York, Inc.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2 : Notes to financial statements

2.6 : Fixed assets

Description	Gross Block					Depreciation / Amortization					Net Block	
	As at 01.04.2013	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 01.04.2013	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Building	79,418	401,607	-	2,977	484,002	9,779	9,951	-	888	20,618	463,384	69,639
Plant and machinery	60,123	777,057	-	(3,710)	833,470	20,546	30,773	-	2,051	53,370	780,100	39,577
Electrical equipment	-	19,239	-	(252)	18,987	-	622	-	(8)	614	18,373	-
Furniture and fixtures	684	-	-	71	755	267	173	-	26	466	289	417
Office equipments	1,000	-	-	104	1,104	306	281	-	24	611	493	694
Total tangible assets (A)	141,225	1,197,903	-	(810)	1,338,318	30,899	41,800	-	2,981	75,679	1,262,639	110,327
Intangibles	135,713	-	-	14,075	149,788	23,750	15,261	-	2,181	41,192	108,596	111,963
Total intangible assets (B)	135,713	-	-	14,075	149,788	23,750	15,261	-	2,181	41,192	108,596	111,963
Total (A+B)	276,938	1,197,903	-	13,265	1,488,106	54,648	57,061	-	5,162	116,870	1,371,236	222,290
Previous year	261,216	426	2,211	17,507	276,938	27,357	27,792	2,211	1,710	54,648	222,290	

Dr. Reddy's Laboratories New York, Inc.
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2 : Notes to financial statements (continued)

2.7 : Long term loans and advances

(Unsecured)	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Capital advances for purchase of fixed assets	654	1,355
Advance tax, net of provision for income taxes	541	56
Security deposits	529	406
	<u>1,724</u>	<u>1,817</u>

2.8 : Inventories

(Valued on weighted average basis)

	As at 31 March 2014	As at 31 March 2013
Raw materials	-	69,664
Work-in-progress	-	118,194
	<u>-</u>	<u>187,858</u>

2.9 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Bank balances		
In current accounts	<u>28,762</u>	<u>29,733</u>
	<u>28,762</u>	<u>29,733</u>

2.10 : Short term loans and advances

(Unsecured)	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Advances to material suppliers	48,662	9,539
Prepaid expenses	2,731	7,214
Other advances	34,142	20,401
<i>Considered doubtful</i>		
Other advances recoverable in cash or in kind or for value to be received	<u>1,260</u>	<u>-</u>
	86,795	37,154
<i>Less : Provision for doubtful loans and advances</i>	<u>(1,260)</u>	<u>-</u>
	<u>85,535</u>	<u>37,154</u>

2.11 : Other income

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest income	42	-
Profit on sale of fixed assets, net	-	751
Foreign exchange gain, net	81	-
	<u>123</u>	<u>751</u>

Dr. Reddy's Laboratories New York, Inc.
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2 : Notes to financial statements (continued)

2.12 : Changes in inventories of finished goods and work in progress

	For the year ended 31 March 2014	For the year ended 31 March 2013
<i>Opening</i>		
Finished goods	-	10,760
Work-in-process	118,194	-
	<u>118,194</u>	<u>10,760</u>
<i>Closing</i>		
Work-in-process	-	118,194
	<u>118,194</u>	<u>(107,434)</u>
<i>Net (increase) / decrease in stock</i>		

2.13 : Employee benefits expense

	For the year ended 31 March 2014	For the year ended 31 March 2013
Salaries, wages and bonus	127,527	71,684
Contribution to provident and other funds	15,163	6,412
Staff welfare expenses	15,297	10,209
	<u>157,987</u>	<u>88,305</u>

2.14 : Finance costs

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest expenses	3	64
	<u>3</u>	<u>64</u>

2.15 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Legal and professional	108,821	31,578
Carriage outward	2,172	4,639
Rates and taxes	3,187	2,354
Repairs and maintenance		
Buildings	11,324	5,228
Plant and machinery	58,705	8,349
Others	10,859	70,835
Power and fuel	11,905	3,704
Travelling and conveyance	1,300	2,142
Communication	656	950
Rent	12,059	8,863
Insurance	16,464	11,078
Foreign exchange loss, net	-	12
Provision on advances and receivables	1,312	-
Other general expenses	40,694	9,906
	<u>279,458</u>	<u>159,638</u>

Dr. Reddy's Laboratories New York, Inc.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.16: Commitments and contingent liabilities

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is as on 31 March 2014 ` 14,613 (previous year: Nil).

2.17 : Related party disclosures

The Company has the following amounts due from / to related parties:

Particulars	As at	As at
	31 March 2014	31 March 2013
i. Due to holding company and other group companies (included in other current liabilities):		
Dr. Reddy's Laboratories Inc.	12,658	526,784
Promious Pharma LLC	63	-

2.18 : Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.19 : The Company, incorporated in the USA, is a 80% subsidiary of Dr. Reddy's Laboratories SA and the balance 20% is held by Dr. Reddy's Laboratories International SA.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for **and on behalf of the Board of Directors**

Satish Reddy

Director

A Ramachandra Rao

Partner

Membership No. 9750

G.V. Prasad

Director

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Laboratories Romania SRL

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in thousands)

Particulars	31 March 2014	31 March 2013
Profit for the year after taxation	34,630	23,502
Balance brought forward	45,218	21,716
Balance carried forward to balance sheet	79,848	45,218

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of profit of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2014

M. V. Narasimham
Director

Auditors' Report

To
The Members of
Dr. Reddy's Laboratories Romania SRL

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories Romania SRL**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the profit for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

Dr. Reddy's Laboratories Romania SRL**Balance Sheet**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	23,743	23,743
Reserves and surplus	2.2	79,848	45,218
		103,591	68,961
Current liabilities			
Other current liabilities	2.3	39,593	36,358
Short term provisions	2.4	3,013	1,202
		42,606	37,560
	TOTAL	146,197	106,521
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	1,232	4,945
Deferred tax assets, net	2.15	2,824	1,180
Long term loans and advances	2.6	2,032	1,137
		6,088	7,262
Current assets			
Inventories	2.7	-	7
Trade receivables	2.8	27,601	25,088
Cash and bank balances	2.9	70,985	15,027
Short term loans and advances	2.10	41,523	59,137
		140,109	99,259
	TOTAL	146,197	106,521

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Satish Reddy

Director

A Ramachandra Rao

Partner

Membership No. 9750

M. V. Narasimham

Director

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Laboratories Romania SRL**Statement of Profit and Loss**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Service Income		404,348	319,261
Other operating revenues		25	-
Revenue from operations		404,373	319,261
Other income	2.11	13,377	3,257
Total revenue		417,750	322,518
Expenses			
Cost of material consumed		60	-
Employee benefits expense	2.12	163,434	128,168
Depreciation expense	2.5	7,015	8,116
Other expenses	2.13	203,340	156,911
Total expenses		373,849	293,195
Profit before tax		43,901	29,323
Tax expense			
Current tax		10,734	6,047
Deferred tax benefit		(1,463)	(226)
Profit for the year		34,630	23,502

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Satish Reddy

Director

M. V. Narasimham

Director

Dr. Reddy's Laboratories Romania SRL
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("IGAAP") under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Advances paid towards acquisition of tangible fixed assets outstanding at each balance sheet date are shown under long-term loans and advances. Cost of assets not ready for intended use, as on the balance sheet date, is shown as capital work-in-progress.

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ` 5,000/- are depreciated in full in the year of acquisition.

Leasehold improvements are depreciated over their estimated useful life, or the remaining period of lease, whichever is shorter.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Furniture, fixtures and office equipment	3 to 10
Vehicles	4 to 5

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Gains or losses from disposal of tangible fixed assets are recognised in the statement of profit and loss.

e) Foreign currency transactions and balances

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

Dr. Reddy's Laboratories Romania SRL
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

f) Revenue recognition
Service Income

Revenue from services rendered is recognized in the statement of profit and loss as the underlying services are performed.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

g) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed at each balance sheet date and are written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Offsetting

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis.

h) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Dr. Reddy's Laboratories Romania SRL

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
170,000 (previous year : 170,000) shares of RON 10 each	<u>23,743</u>	<u>23,743</u>
Issued		
170,000 (previous year : 170,000) shares of RON 10 each	<u>23,743</u>	<u>23,743</u>
Subscribed and paid-up		
170,000 (previous year : 170,000) shares of RON 10 each	<u>23,743</u>	<u>23,743</u>
	<u>23,743</u>	<u>23,743</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	170,000	23,743	170,000	23,743
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	170,000	23,743	170,000	23,743

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of RON 10 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Dr. Reddy's Laboratories SA	170,000	100	170,000	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Surplus		
Balance at the beginning of the year	45,218	21,716
Add: Current year profit	<u>34,630</u>	<u>23,502</u>
Balance carried forward	<u>79,848</u>	<u>45,218</u>

2.3 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Due to holding company and other group companies	26,297	22,400
Accrued expenses	5,558	3,792
Salary and bonus payable	245	-
Due to statutory authorities	3,450	3,092
Others	<u>4,043</u>	<u>7,074</u>
	<u>39,593</u>	<u>36,358</u>

2.4 : Short term provisions

	As at 31 March 2014	As at 31 March 2013
Income tax payable	<u>3,013</u>	<u>1,202</u>
	<u>3,013</u>	<u>1,202</u>

Dr. Reddy's Laboratories Romania SRL

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.5 : Fixed assets

Description	Gross Block				Depreciation				Net Block	
	As at 01.04.2013	Additions	Deletions	As at 31.03.2014	As at 01.04.2013	For the year	Deletions	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Lease hold improvements	1,154	-	-	1,154	607	310	-	917	238	547
Vehicles	16,681	4,210	6,587	14,304	15,436	4,851	6,169	14,118	187	1,245
Office equipment	5,422	-	500	4,922	2,436	1,813	-	4,249	673	2,986
Furniture and fixtures	253	9	-	262	86	41	-	127	136	167
Total	23,510	4,219	7,087	20,642	18,565	7,015	6,169	19,410	1,232	4,945
Previous year	26,932	1,923	5,345	23,510	15,791	8,116	5,342	18,565	4,945	

Dr. Reddy's Laboratories Romania SRL
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.6 : Long term loans and advances

(Unsecured)	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Capital Advances for purchase of fixed assets	698	-
Security deposits	1,334	1,137
	<u>2,032</u>	<u>1,137</u>

2.7 : Inventories

(Valued on weighted average basis)

	As at 31 March 2014	As at 31 March 2013
Stores and spares	-	7
	<u>-</u>	<u>7</u>

2.8 : Trade receivables

(Unsecured)	As at 31 March 2014	As at 31 March 2013
Debts outstanding for a period exceeding six months	-	-
Other debts		
Considered good	27,601	25,088
	<u>27,601</u>	<u>25,088</u>

2.9 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Bank balances		
In current accounts	70,985	15,027
	<u>70,985</u>	<u>15,027</u>

2.10 : Short term loans and advances

(Unsecured)	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Balances with statutory agencies	37,336	55,999
Prepaid expenses	3,160	2,734
Advances to material suppliers	552	88
Staff loans and advances	475	316
	<u>41,523</u>	<u>59,137</u>

2.11 : Other income

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest income	595	286
Profit on sale of fixed assets, net	815	1,894
Foreign exchange gain, net	11,967	1,077
	<u>13,377</u>	<u>3,257</u>

Dr. Reddy's Laboratories Romania SRL**Notes to Financial Statements**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.12 : Employee benefits expense**

	For the year ended 31 March 2014	For the year ended 31 March 2013
Salaries, wages and bonus	158,142	123,823
Staff welfare expenses	5,292	4,345
	<u>163,434</u>	<u>128,168</u>

2.13 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Legal and professional	4,702	4,636
Selling expenses	121,865	96,482
Travelling and conveyance	11,411	9,437
Communication	5,727	4,258
Rent	29,122	13,818
Insurance	2,390	2,688
Auditors' remuneration	468	231
Advertisements	1,116	649
Other general expenses	26,539	24,712
	<u>203,340</u>	<u>156,911</u>

Dr. Reddy's Laboratories Romania SRL**Notes to Financial Statements**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.14 : Commitments and contingent liabilities**

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.15 : Deferred taxation

Deferred tax asset, net included in the balance sheet comprises the following:

Particulars	As at 31 March 2014	As at 31 March 2013
Deferred tax assets / (liabilities)		
Current liabilities	2,824	1,180
Deferred tax asset, net	2,824	1,180

2.16 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
i. Service income from holding company and other group companies:		
Dr.Reddy's Laboratories SA	404,348	319,261

b. The Company has the following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due from related parties (included in trade receivables):		
Dr.Reddy's Laboratories SA	27,467	24,974
ii. Due to related parties (included in other current liabilities):		
Dr. Reddy's Laboratories Limited	26,297	22,400

2.17 : Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.18 : The Company incorporated in Romania, is a 100% subsidiary of Dr. Reddy's Laboratories SA, Switzerland.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for **and on behalf of the Board of Directors****Satish Reddy**

Director

A Ramachandra Rao

Partner

Membership No. 9750

M.V. Narasimham

Director

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Laboratories SA

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in lakhs)

Particulars	31 March 2014	31 March 2013
Profit for the year after taxation	49,041	66,700
Balance brought forward	189,985	123,285
Balance carried forward to balance sheet	239,025	189,985

Directors

Mr. Sridar Iyengar has been appointed as a Director on the Board of Directors of the Company on 20 August 2013.

Share Capital

The Company has received additional investment in equity shares, from the Holding Company - Dr. Reddy's Laboratories Limited (India) amounting to CHF 30 million.

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of profit of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Satish Reddy

Director

Place: Hyderabad

Date: 9 May 2014

De Vre Raymond

Director

Auditors' Report

To
The Members of
Dr. Reddy's Laboratories SA

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories SA**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the profit for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

Dr. Reddy's Laboratories SA**Balance Sheet**

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	50,275	29,512
Reserves and surplus	2.2	331,082	187,569
		381,357	217,081
Non current liabilities			
Long term borrowings	2.3	98,081	118,292
		98,081	118,292
Current liabilities			
Short term borrowings	2.3	29,767	-
Trade payables	2.4	26,600	18,324
Other current liabilities	2.5	48,066	10,880
Short term provisions	2.6	2,516	5,561
		106,949	34,765
	TOTAL	586,387	370,138
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	116	166
Intangible assets	2.7	847	1,195
Capital work-in-progress		7	-
Non current investments	2.8	232,391	58,510
Deferred tax assets, net	2.21	394	338
Long term loans and advances	2.9	276,472	123,769
		510,227	183,978
Current assets			
Inventories	2.10	613	990
Trade receivables	2.11	37,812	115,327
Cash and bank balances	2.12	34,934	66,366
Short term loans and advances	2.13	2,692	1,825
Other current assets	2.14	109	1,652
		76,160	186,160
	TOTAL	586,387	370,138

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Satish Reddy

Director

De Vre Raymond

Director

Dr. Reddy's Laboratories SA**Statement of Profit and Loss**

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Sales, net		148,394	186,402
Service income		64	696
Other operating revenues		-	17
Revenue from operations		148,458	187,115
Other income	2.15	21,431	10,295
Total revenue		169,889	197,410
Expenses			
Purchase of stock-in-trade (traded goods)		73,294	80,957
Changes in inventories of stock-in-trade	2.16	377	313
Conversion charges		10,968	8,806
Employee benefits expense	2.17	3,730	2,701
Finance costs	2.18	3,602	2,614
Depreciation and amortization expense	2.7	357	95
Research and development		11,777	12,675
Other expenses	2.19	14,145	14,394
Total expenses		118,250	122,555
Profit before tax		51,640	74,855
Tax expense			
Current tax		2,591	8,496
Deferred tax expense / (benefit)		8	(341)
Profit for the year		49,041	66,700

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

*for A Ramachandra Rao & Co.**Chartered Accountants*

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Satish Reddy

Director

De Vre Raymond

Director

Dr. Reddy's Laboratories SA
Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("IGAAP") under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

Assets:

An asset is classified as current when it satisfies any of the following criteria:

- a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is expected to be realised within 12 months after the reporting date; or
- d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Liabilities:

A liability is classified as current when it satisfies any of the following criteria:

- a) it is expected to be settled in the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is due to be settled within 12 months after the reporting date; or
- d) the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets/ liabilities include the current portion of non-current financial assets/ liabilities respectively. All other assets/ liabilities are classified as non-current.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Subsequent expenditure related to an item of tangible fixed asset is capitalised only if it increases the future benefits from the existing assets beyond its previously assessed standards of performance.

Advances paid towards acquisition of tangible fixed assets outstanding at each balance sheet date are shown under long-term loans and advances. Cost of assets not ready for intended use, as on the balance sheet date, is shown as capital work-in-progress.

Dr. Reddy's Laboratories SA
Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

d) *Tangible assets and depreciation (continued)*

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ₹ 5,000/- are depreciated in full in the year of acquisition.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Leasehold improvements are depreciated over their estimated useful life, or the remaining period of lease, whichever is shorter.

Gains or losses from disposal of tangible fixed assets are recognised in the statement of profit and loss.

e) *Intangible assets and amortisation*

Intangible assets are recorded at the consideration paid for acquisition including any import duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use.

Intangible assets are amortised on a systematic basis over the best estimate of their useful lives, commencing from the date the asset is available to the Company for its use.

The management estimate of the useful life for the various intangible assets is 5 years.

The amortisation period and the amortisation method for intangible assets are reviewed at each financial year-end.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and disposal. Gains or losses arising from the disposal of intangible asset are recognised in the statement of profit and loss.

f) *Investments*

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as non-current investments.

Non-current investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment. The reduction in the carrying amount is reversed when there is a rise in the value of the investment or if the reasons for the reduction no longer exist. Any reduction in the carrying amount and any reversal in such reductions are charged or credited to the statement of profit and loss.

Current investments are carried at the lower of cost and fair value. The comparison of cost and fair value is done separately in respect of each category of investment.

g) *Inventories*

Inventories are valued at the lower of cost and net realisable value. Net realisable value (NRV) is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of all categories of inventory is determined using weighted average cost method.

h) *Research and development*

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized in the statement of profit and loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if the enterprise can demonstrate all of the following:

- a. the product or the process is technically and commercially feasible;
- b. future economic benefits are probable and ascertainable;
- c. the Group intends to and has sufficient resources to complete development of the product and has the ability to use or sell the asset; and
- d. development costs can be measured reliably.

Dr. Reddy's Laboratories SA
Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

i) Employee benefits

Defined contribution plans

The company's contributions to defined contribution plans are charged to statement of profit and loss as and when the services are received from the employees.

j) Foreign currency transactions and balances

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

Exchange differences arising on a monetary item that, in substance, forms part of Company's net investment in a non-integral foreign operation are accumulated in a foreign currency translation reserve in the Company's financial statements. Such exchange differences are recognized in the statement of profit and loss in the event of disposal of the net investment.

k) Revenue recognition

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is reasonably certain, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenue from the sale of goods is net of returns, sales tax and applicable trade discounts and allowances.

Sales returns

The Company accounts for sales returns by recording an allowance for sales returns concurrent with the recognition of revenue at the time of a product sale. This allowance is based on the Company's estimate of expected sales returns.

Service Income

Revenue from services rendered is recognized in the statement of profit and loss as the underlying services are performed.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

l) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Dr. Reddy's Laboratories SA
Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

l) Income-tax expense (continued)

Deferred tax (continued)

Deferred tax assets are reviewed at each balance sheet date and are written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Offsetting

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis.

m) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

n) Derivative instruments and hedge accounting

The Company uses forward contracts, option contracts and swap contracts (derivatives) to mitigate its risk of changes in foreign currency exchange rates and interest rates. The Company does not use derivatives for trading or speculative purposes.

The premium or discount on foreign exchange forward contracts is amortized as income or expense over the life of the contract. The exchange difference is calculated and recorded in accordance with AS-11 (revised) in the statement of profit and loss. The changes in the fair value of foreign currency option contracts and swap contracts are recognised in the statement of profit and loss as they arise. Fair value of such option contracts and swap contracts is determined based on the appropriate valuation techniques considering the terms of the contract.

Pursuant to ICAI Announcement "Accounting for Derivatives" on the early adoption of Accounting Standard AS-30 "Financial Instruments: Recognition and Measurement", the Company has adopted the Standard, to the extent that the adoption does not conflict with existing mandatory accounting standards and other authoritative pronouncements, the Companies Act, 1956 and other regulatory requirements.

Cash flow hedges

The Company has designated certain non-derivative financial liabilities, such as foreign currency borrowings from banks, as hedging instruments for the hedge of foreign currency risk associated with highly probable forecasted transactions and, accordingly, applies cash flow hedge accounting for such relationships. Re-measurement gain/loss on such non-derivative financial liabilities is recorded as part of reserves and surplus within the Company's "hedging reserve", and re-classified in the statement of profit and loss as revenue in the period corresponding to the occurrence of the forecasted transactions.

If the hedging instrument no longer meets the criteria for hedge accounting, gets expired or is sold, terminated or exercised before the occurrence of the forecasted transaction, the hedge accounting on such transaction is discontinued prospectively. The cumulative gain or loss previously recognized in hedging reserve continues to remain there until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, the balance in hedging reserve is recognized immediately in the statement of profit and loss.

Dr. Reddy's Laboratories SA

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
105,640,410 (previous year : 75,640,410) shares of CHF 1 each	<u>50,275</u>	<u>29,512</u>
Issued		
105,640,410 (previous year : 75,640,410) shares of CHF 1 each	<u>50,275</u>	<u>29,512</u>
Subscribed and paid-up		
105,640,410 (previous year : 75,640,410) shares of CHF 1 each	<u>50,275</u>	<u>29,512</u>
	<u>50,275</u>	<u>29,512</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	75,640,410	29,512	75,640,410	29,512
Shares issued during the year	30,000,000	20,763	-	-
Number of shares outstanding at the end of the year	105,640,410	50,275	75,640,410	29,512

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of CHF 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Dr. Reddy's Laboratories Limited	105,640,410	100	75,640,410	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Share premium account		
Balance at the beginning of the year	-	-
Movement during the year	<u>85,758</u>	<u>-</u>
	<u>85,758</u>	<u>-</u>
Foreign currency translation reserve		
Balance at the beginning of the year	10,753	8,051
Movement during the year	<u>22,261</u>	<u>2,702</u>
	<u>33,014</u>	<u>10,753</u>
Hedging Reserve		
Balance at the beginning of the year	(13,169)	(5,524)
Movement during the year	<u>(13,546)</u>	<u>(7,645)</u>
	<u>(26,715)</u>	<u>(13,169)</u>
Surplus		
Balance at the beginning of the year	189,985	123,285
Add: Current year profit	<u>49,041</u>	<u>66,700</u>
Balance carried forward	<u>239,025</u>	<u>189,985</u>
	<u>331,082</u>	<u>187,569</u>

Dr. Reddy's Laboratories SA**Notes to Financial Statements**

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.3 : Borrowings****(A) Long term borrowings**

	As at 31 March 2014	As at 31 March 2013
Long term loans from Bank	98,081	118,292
	<u>98,081</u>	<u>118,292</u>

(B) Short term borrowings

	As at 31 March 2014	As at 31 March 2013
Short term loans	29,767	-
	<u>29,767</u>	<u>-</u>

2.4 : Trade payables

	As at 31 March 2014	As at 31 March 2013
Payables to holding company and other group companies	25,907	17,688
Payables to others	693	636
	<u>26,600</u>	<u>18,324</u>

2.5 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Current portion of long term borrowings	32,953	-
Derivative financial instrument	1,902	4
Due to capital creditors	7	58
Due to holding company and other group companies	4,335	4,295
Interest accrued but not due on loans	34	38
Accrued expenses	7,566	5,077
Salary and bonus payable	389	254
Due to statutory authorities	89	48
Others	791	1,106
	<u>48,066</u>	<u>10,880</u>

2.6 : Short term provisions

	As at 31 March 2014	As at 31 March 2013
Income tax payable	2,516	5,561
	<u>2,516</u>	<u>5,561</u>

Dr. Reddy's Laboratories SA

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.7 : Fixed assets

Description	Gross Block				Depreciation				Net Block	
	As at 01.04.2013	Additions	Deletions	As at 31.03.2014	As at 01.04.2013	For the year	Deletions	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Leasehold improvements	155	30	-	185	33	62	-	95	90	122
Office equipments	54	-	-	54	10	18	-	28	26	44
Total tangible assets (A)	209	30	-	239	43	80	-	123	116	166
Intangibles	1,248	-	71	1,177	53	277	-	330	847	1,195
Total intangible assets (B)	1,248	-	71	1,177	53	277	-	330	847	1,195
Total (A+B)	1,457	30	71	1,416	96	357	-	453	963	1,361
Previous year	553	904	-	1,457	1	95	-	96	1,361	

Dr. Reddy's Laboratories SA
Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.8 : Non current investments

Non current investments at cost	As at 31 March 2014	As at 31 March 2013
<i>In Subsidiary Companies</i>		
Dr. Reddy's Laboratories (Australia) Pty. Limited	3,739	-
Dr. Reddy's Laboratories (Canada) Inc.	582	-
Dr. Reddy's Laboratories (EU) Limited	7,176	7,176
Dr. Reddy's Laboratories (Proprietary) Limited	10,618	-
Dr. Reddy's Laboratories Inc.	117,840	12,153
Dr. Reddy's Laboratories International SA	2,741	2,741
Dr. Reddy's Laboratories LLC, Ukraine	709	709
Dr. Reddy's Laboratories New York, Inc.	24,152	10,783
Dr. Reddy's Laboratories Romania SRL	237	237
Dr. Reddy's New Zealand Limited	1,054	1,054
Dr. Reddy's Singapore PTE. LTD	249	-
Dr. Reddy's Venezuela, C.A.	495	495
Lacock Holdings Limited	2,255	-
OOO Dr. Reddy's Laboratories Limited	21,877	-
Reddy Holding GmbH	23	-
Reddy Netherlands B.V.	40,093	24,611
Less: Provision for decline, other than temporary, in the value of non current investments	(1,449)	(1,449)
	<u>232,391</u>	<u>58,510</u>

2.9 : Long term loans and advances

(Unsecured)	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Loan to holding company and other group companies	276,423	123,728
Security deposits	49	41
	<u>276,472</u>	<u>123,769</u>

2.10 : Inventories

(Valued on weighted average basis)

	As at 31 March 2014	As at 31 March 2013
Stock-in-trade	613	990
	<u>613</u>	<u>990</u>

2.11 : Trade receivables

(Unsecured)	As at 31 March 2014	As at 31 March 2013
Debts outstanding for a period exceeding six months		
Considered good	3,125	3,695
Considered doubtful	112	199
Other debts		
Considered good	34,687	111,632
	<u>37,924</u>	<u>115,526</u>
Less : Provision for doubtful debts	(112)	(199)
	<u>37,812</u>	<u>115,327</u>

Dr. Reddy's Laboratories SA
Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.12 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Bank balances		
In current accounts	4,977	2,853
In term deposit accounts (original maturity less than 3 months)	5,991	6,514
Cash and cash equivalents (A)	10,968	9,367
In term deposit accounts (original maturity more than 3 months)	23,966	56,999
Other bank balances (B)	23,966	56,999
Total cash and bank balances (A+B)	34,934	66,366

2.13 : Short term loans and advances

	As at 31 March 2014	As at 31 March 2013
<i>(Unsecured)</i>		
<i>Considered good</i>		
Advances to material suppliers	2,343	1,665
Staff loans and advances	7	4
Balances with statutory agencies	12	7
Prepaid expenses	330	149
	2,692	1,825

2.14 : Other current assets

	As at 31 March 2014	As at 31 March 2013
<i>(Unsecured)</i>		
<i>Considered good</i>		
Interest accrued but not due	109	585
Other receivables from holding company and other group companies	-	678
Derivative financial instrument	-	127
Other current assets	-	262
	109	1,652

2.15 : Other income

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest income	5,724	5,117
Foreign exchnage gain, net	15,672	5,178
Miscellaneous	35	-
	21,431	10,295

2.16 : Changes in inventories of stock in trade

	For the year ended 31 March 2014	For the year ended 31 March 2013
<i>Opening</i>		
Stock-in-trade	990	1,303
<i>Closing</i>		
Stock-in-trade	613	990
<i>Net decrease</i>	377	313

Dr. Reddy's Laboratories SA**Notes to Financial Statements**

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.17 : Employee benefits expense**

	For the year ended 31 March 2014	For the year ended 31 March 2013
Salaries, wages and bonus	3,598	2,480
Staff welfare expenses	132	221
	<u>3,730</u>	<u>2,701</u>

2.18 : Finance costs

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest expenses	3,602	2,614
	<u>3,602</u>	<u>2,614</u>

2.19 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Consumption of stores and spare parts	163	137
Legal and professional	1,110	704
Carriage outward	13	234
Selling expenses	4,272	4,431
Travelling and conveyance	522	420
Rates and taxes	1,047	-
Communication	77	73
Provision on advances and receivables	728	-
Rent	98	110
Insurance	66	353
Bad debts	91	259
Auditors' remuneration	22	19
Other general expenses	5,936	7,654
	<u>14,145</u>	<u>14,394</u>

2.20 : Commitments and contingent liabilities

Guarantees issued by the company on behalf of other group companies is ` 9977.

Further, there were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.21 : Deferred taxation

Deferred tax asset, net included in the balance sheet comprises the following:

Particulars	As at 31 March 2014	As at 31 March 2013
Deferred tax assets / (liabilities)		
Current liabilities	178	99
Fixed assets	216	239
Deferred Tax Asset, net	<u>394</u>	<u>338</u>

Dr. Reddy's Laboratories SA

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.22: Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
i. Interest income from holding company and other group companies:		
Reddy Holdings GmbH	183	343
Dr. Reddy's Laboratories (EU) Limited	98	206
Dr. Reddys Pharma Iberia SA	-	96
Lacock Holdings Limited	3,843	3,043
Dr. Reddy's Laboratories (Australia) Pty. Limited	198	-
Industrias Quimicas Falcon de Mexico, S.A.	398	-
ii. Reimbursement of operating and other expenses by holding company and other group companies:		
Dr. Reddy's Laboratories Limited	-	193
iii. Purchases and services from holding company and other group companies:		
Chirotech Technology Limited	194	77
Industrias Quimicas Falcon de Mexico, S.A.	20,935	12,622
OOO Dr. Reddy's Laboratories Limited	-	996
Dr. Reddy's Laboratories (EU) Limited	649	867
Dr. Reddy's Laboratories Romania SRL	4,043	3,193
Dr. Reddy's Laboratories (UK) Limited	126	109
Dr. Reddy's Laboratories Inc.	203	88
Dr. Reddy's Laboratories Limited	56,097	78,092
iv. Rent paid to holding company and other group companies:		
Dr. Reddy's Laboratories International SA	52	21
v. Sales / (sales return) and services to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	311	571
OOO Dr. Reddy's Laboratories Limited	9,674	13,015
Industrias Quimicas Falcon de Mexico, S.A.	98	2
Dr. Reddy's Laboratories Inc.	72,056	80,439
Dr. Reddy's Laboratories LLC, Ukraine	(217)	686
Dr. Reddy's Laboratories Canada Inc.	144	-
vi. Interest expense paid to holding company and other group companies:		
Reddy Holdings GmbH	628	-
vii. Guarantee commission paid / payable to holding and other group companies:		
Dr. Reddy's Laboratories Limited	1,449	1,208
viii. Guarantee commission received from holding company and other group companies:		
betapharm Arzneimittel GmbH	20	-
Dr. Reddy's Laboratories (EU) Limited	14	-

Dr. Reddy's Laboratories SA**Notes to Financial Statements**

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.22: Related party disclosures (continued)**

b. The Company has the following amounts due from / to related parties:

Particulars	As at	As at
	31 March 2014	31 March 2013
i. Due from holding company and other group companies (included in advances and other assets):		
Dr. Reddy's Laboratories Limited	-	678
Dr. Reddy's Laboratories (EU) Limited	-	7,177
Lacock Holdings Limited	269,060	103,389
Reddy Holdings GmbH	-	13,162
Dr. Reddy's Laboratories (Australia) Pty. Limited	7,363	-
ii. Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's Laboratories Limited	3,142	3,023
OOO Dr. Reddy's Laboratories Limited	1,935	11,750
Industrias Quimicas Falcon de Mexico, S.A.	-	2
Dr. Reddy's Laboratories Inc.	2,757	69,763
Dr. Reddy's Laboratories LLC, Ukraine	-	296
Dr. Reddy's Laboratories Canada Inc.	143	-
iii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Ltd.	20,168	15,305
Industrias Quimicas Falcon de Mexico, S.A.	5,330	2,009
Dr. Reddy's Laboratories Romania SRL	275	250
Dr. Reddy's Laboratories (EU) Limited	134	124
iv. Due to holding company and other group companies (included in other liabilities):		
Dr. Reddy's Laboratories Limited	3,320	3,310
OOO Dr. Reddy's Laboratories Limited	368	789
Dr. Reddy's Laboratories Inc.	592	182
Chirotech Technology Limited	-	14
Dr. Reddy's Laboratories International SA	55	-

2.23 : Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.24 : The Company incorporated in the Switzerland, is a 100% subsidiary of Dr. Reddy's Laboratories Limited.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Satish Reddy

Director

De Vre Raymond

Director

Dr. Reddy's Laboratories Tennessee, LLC

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in lakhs)

Particulars	31 March 2014	31 March 2013
Loss for the year after taxation	(5,409)	(689)
Balance brought forward	(3,117)	(2,428)
Balance carried forward to balance sheet	(8,526)	(3,117)

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of loss of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2014

G.V. Prasad
Director

Auditors' Report

To
The Members of
Dr. Reddy's Laboratories Tennessee, LLC

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories Tennessee, LLC**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

Dr. Reddy's Laboratories Tennessee, LLC**Balance Sheet**

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	11,196	11,196
Reserves and surplus	2.2	(5,121)	(836)
		<u>6,075</u>	<u>10,360</u>
Current liabilities			
Trade payables	2.3	627	1,662
Other current liabilities	2.4	7,620	986
Short term provisions	2.5	5	4
		<u>8,252</u>	<u>2,652</u>
	TOTAL	<u>14,327</u>	<u>13,012</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	5,646	6,018
Intangible assets	2.6	1,598	2,188
Capital work-in-progress		1,113	212
Long term loans and advances	2.7	338	-
		<u>8,695</u>	<u>8,418</u>
Current assets			
Inventories	2.8	5,345	3,353
Trade receivables	2.9	-	959
Cash and bank balances	2.10	209	193
Short term loans and advances	2.11	78	89
		<u>5,632</u>	<u>4,594</u>
	TOTAL	<u>14,327</u>	<u>13,012</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Satish Reddy

Director

G.V. Prasad

Director

Dr. Reddy's Laboratories Tennessee, LLC**Statement of Profit and Loss**

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Sales, net		19,249	22,542
Other operating revenues		2	453
Total revenue		19,251	22,995
Expenses			
Cost of material consumed (including packing material consumed)		12,791	12,497
Changes in inventories of finished goods and work-in-progress	2.12	200	605
Employee benefits expense	2.13	6,019	5,159
Depreciation and amortization expense	2.6	2,003	1,502
Research and development		162	146
Other expenses	2.14	3,485	3,775
Total expenses		24,660	23,684
Loss before tax		(5,409)	(689)
Tax expense	2.17	-	-
Loss for the year		(5,409)	(689)

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao

Partner

Membership No. 9750

Satish Reddy

Director

G.V. Prasad

Director

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Laboratories Tennessee, LLC

Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("IGAAP") under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

Assets:

An asset is classified as current when it satisfies any of the following criteria:

- a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is expected to be realised within 12 months after the reporting date; or
- d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Liabilities:

A liability is classified as current when it satisfies any of the following criteria:

- a) it is expected to be settled in the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is due to be settled within 12 months after the reporting date; or
- d) the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets/ liabilities include the current portion of non-current financial assets/ liabilities respectively. All other assets/ liabilities are classified as non-current.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Subsequent expenditure related to an item of tangible fixed asset is capitalised only if it increases the future benefits from the existing assets beyond its previously assessed standards of performance.

Advances paid towards acquisition of tangible fixed assets outstanding at each balance sheet date are shown under long-term loans and advances. Cost of assets not ready for intended use, as on the balance sheet date, is shown as capital work-in-progress.

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ` 5,000/- are depreciated in full in the year of acquisition.

Dr. Reddy's Laboratories Tennessee, LLC

Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

d) *Tangible assets and depreciation (continued)*

Land is not depreciated.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Buildings	20 to 25
Plant and machinery	3 to 15
Electrical equipment	5 to 15
Laboratory equipment	5 to 15
Furniture, fixtures and office equipment	3 to 10
Vehicles	4 to 5

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Gains or losses from disposal of tangible fixed assets are recognised in the statement of profit and loss.

e) *Intangible assets and amortisation*

Intangible assets are recorded at the consideration paid for acquisition including any import duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use.

Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives, commencing from the date the asset is available to the Company for its use.

The management estimate for the useful lives for the various intangible assets is between 3 to 5 years.

The amortisation period and the amortisation method for intangible assets are reviewed at each financial year-end.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and disposal. Gains or losses arising from the disposal of intangible asset are recognised in the statement of profit and loss.

f) *Inventories*

Inventories are valued at the lower of cost and net realisable value. Net realisable value (NRV) is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of all categories of inventory is determined using weighted average cost method.

g) *Employee benefits*

Defined contribution plans

The company's contributions to defined contribution plans are charged to statement of profit and loss as and when the services are received from the employees.

h) *Foreign currency transactions and balances*

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

Dr. Reddy's Laboratories Tennessee, LLC

Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

i) Revenue recognition

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is reasonably certain, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenue from the sale of goods is net of returns, sales tax and applicable trade discounts and allowances.

Provision for chargeback, rebates and discounts

Accrual for chargeback, rebates, discounts and medicaid payments are estimated and provided for in the year of sales and recorded as reduction of revenue. A chargeback claim is a claim made by the wholesaler for the difference between the price at which the product is initially invoiced to the wholesaler and the net price at which it is agreed to be procured from the Company. Accrual for such chargeback is made considering the factors such as historical average chargeback rate actually claimed over a period of time, current contract prices with wholesalers / other customers and estimated inventory holding by the wholesaler.

Sales returns

The Company accounts for sales returns by recording an allowance for sales returns concurrent with the recognition of revenue at the time of a product sale. This allowance is based on the Company's estimate of expected sales returns.

j) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Dr. Reddy's Laboratories Tennessee, LLC

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
USD 25,000,000 (previous year : USD 25,000,000)*	<u>11,196</u>	<u>11,196</u>
Issued		
USD 25,000,000 (previous year : USD 25,000,000)*	<u>11,196</u>	<u>11,196</u>
Subscribed and paid-up		
USD 25,000,000 (previous year : USD 25,000,000)*	<u>11,196</u>	<u>11,196</u>
	<u>11,196</u>	<u>11,196</u>

* No concept of nature and number of shares in this company.

Details of shareholders holding more than 5% shares capital in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	Amount in USD ('lakhs)	% of equity shares	Amount in USD ('lakhs)	% of equity shares
Dr. Reddy's Laboratories Inc.	250	100	250	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Foreign currency translation reserve		
Balance at the beginning of the year	2,281	1,557
Movement during the year	<u>1,124</u>	<u>724</u>
	<u>3,405</u>	<u>2,281</u>
Deficit		
Balance at the beginning of the year	(3,117)	(2,428)
Add: Current year loss	<u>(5,409)</u>	<u>(689)</u>
Balance carried forward	<u>(8,526)</u>	<u>(3,117)</u>
	<u>(5,121)</u>	<u>(836)</u>

2.3 : Trade payables

	As at 31 March 2014	As at 31 March 2013
Trade payable	<u>627</u>	<u>1,662</u>
	<u>627</u>	<u>1,662</u>

2.4 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Due to capital creditors	17	63
Due to holding company and other group companies	6,744	11
Salary and bonus payable	502	511
Accrued expenses	120	205
Others	<u>237</u>	<u>196</u>
	<u>7,620</u>	<u>986</u>

Dr. Reddy's Laboratories Tennessee, LLC

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.5 : Short term provisions

	As at 31 March 2014	As at 31 March 2013
Provision for employee benefits	<u>5</u>	<u>4</u>
	<u>5</u>	<u>4</u>

Dr. Reddy's Laboratories Tennessee, LLC

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.6 : Fixed assets

Description	Gross Block					Depreciation					Net Block	
	As at 01.04.2013	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 01.04.2013	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Land	600	-	-	62	662	-	-	-	-	-	662	600
Building	4,721	23	-	489	5,233	552	313	-	53	918	4,315	4,169
Plant and machinery	1,845	131	3	190	2,163	676	790	1	60	1,525	638	1,169
Electrical equipment	7	-	-	1	8	7	-	-	1	8	-	-
Lab equipment	74	11	-	8	93	47	28	-	5	80	13	27
Office equipment	302	9	-	31	342	249	50	-	25	324	18	53
Furniture and fixtures	34	-	-	3	37	34	-	-	3	37	-	-
Total tangible assets (A)	7,583	174	3	784	8,538	1,565	1,181	1	147	2,892	5,646	6,018
Intangibles	3,600	-	-	373	3,973	1,412	822	-	141	2,375	1,598	2,188
Total intangible assets (B)	3,600	-	-	373	3,973	1,412	822	-	141	2,375	1,598	2,188
Total (A+B)	11,183	174	3	1,157	12,511	2,977	2,003	1	288	5,267	7,244	8,206
Previous year	10,229	384	122	691	11,183	1,379	1,502	17	112	2,977	8,206	

Dr. Reddy's Laboratories Tennessee, LLC**Notes to Financial Statements**

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.7 : Long term loans and advances**

	As at 31 March 2014	As at 31 March 2013
Capital advances for purchase of fixed assets	338	-
	<u>338</u>	<u>-</u>

2.8 : Inventories

(Valued on weighted average basis)

	As at 31 March 2014	As at 31 March 2013
Raw materials	4,406	2,441
Work-in-progress	220	220
Finished goods	23	223
Packing materials	696	469
	<u>5,345</u>	<u>3,353</u>

2.9 : Trade receivables

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
Debts outstanding for a period exceeding six months	-	-
Other debts	-	959
	<u>-</u>	<u>959</u>

2.10 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Bank balances		
In current accounts	209	193
	<u>209</u>	<u>193</u>

2.11 : Short term loans and advances

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
<i>Considered good</i>		
Advances to material suppliers	4	2
Prepaid expenses	74	87
	<u>78</u>	<u>89</u>

Dr. Reddy's Laboratories Tennessee, LLC**Notes to Financial Statements**

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.12 : Changes in inventories of finished goods and work-in-progress**

	For the year ended 31 March 2014	For the year ended 31 March 2013
<i>Opening</i>		
Work-in-progress	220	603
Finished goods	<u>223</u>	<u>446</u>
	443	1,048
<i>Closing</i>		
Work-in-progress	220	220
Finished goods	<u>23</u>	<u>223</u>
	243	443
<i>Net decrease</i>	<u><u>200</u></u>	<u><u>605</u></u>

2.13 : Employee benefits expense

	For the year ended 31 March 2014	For the year ended 31 March 2013
Salaries, wages and bonus	4,885	4,300
Contribution to provident and other funds	315	242
Staff welfare expenses	<u>819</u>	<u>617</u>
	<u><u>6,019</u></u>	<u><u>5,159</u></u>

2.14 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Consumption of stores and spare parts	419	550
Legal and professional	260	373
Carriage outward	6	50
Rates and taxes	317	202
Repairs and maintenance		
Buildings	254	567
Plant and machinery	209	314
Others	801	637
Power and fuel	868	742
Loss on sale of fixed assets, net	2	-
Insurance	162	143
Foreign exchange loss, net	2	-
Other general expenses	<u>185</u>	<u>197</u>
	<u><u>3,485</u></u>	<u><u>3,775</u></u>

Dr. Reddy's Laboratories Tennessee, LLC**Notes to Financial Statements**

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.15 : Commitments and contingent liabilities**

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is as on 31 March 2014 ` 245 (previous year: ` 332).

2.16 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
i. Sales and services rendered to holding company and other companies within the group:		
Dr. Reddy's Laboratories Inc.	19,249	22,542

b. The Company has the following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due to holding company and other group companies (included in other current liabilities):		
Dr. Reddy's Laboratories Inc	6,744	-
Dr. Reddy's Laboratories Louisiana LLC	-	11
ii. Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's Laboratories Inc.	-	959

2.17 : Tax expense for the company is computed and presented together with the parent company's Dr. Reddy's Laboratories Inc. financial statement as per the tax laws of the United States.

2.18 : Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.19 : The Company, incorporated in USA, is a 100% subsidiary of Dr. Reddy's Laboratories Inc.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the **Board of Directors**

A Ramachandra Rao

Partner

Membership No. 9750

Satish Reddy

Director

Place: Hyderabad

Date: 9 May 2014

G.V. Prasad

Director

Dr. Reddy's New Zealand Limited

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in thousands)

Particulars	31 March 2014	31 March 2013
(Loss) / profit for the year after taxation	(15,826)	8,682
Balance brought forward	(10,366)	(19,048)
Balance carried forward to balance sheet	(26,192)	(10,366)

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of loss of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Abhijit Mukerjee
Director

Place: Hyderabad
Date: 9 May 2014

M V Narasimham
Director

Auditors' Report

To
The Members of
Dr. Reddy's New Zealand Limited

We have audited the accompanying financial statements of **Dr. Reddy's New Zealand Limited**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**

Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

Dr. Reddy's New Zealand Limited**Balance Sheet**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	328	328
Reserves and surplus	2.2	78,836	94,856
		79,164	95,184
Current liabilities			
Trade payables	2.3	6,371	47,939
Other current liabilities	2.4	772	1,411
		7,143	49,350
	TOTAL	86,307	144,534
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	47	151
Deferred tax assets, net	2.16	9,465	507
Long term loans and advances	2.6	3,487	2,875
		12,999	3,533
Current assets			
Inventories	2.7	7,457	40,175
Trade receivables	2.8	22,285	11,972
Cash and bank balances	2.9	40,210	88,217
Short term loans and advances	2.10	3,356	637
		73,308	141,001
	TOTAL	86,307	144,534

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Abhijit Mukerjee

Director

M V Narasimham

Director

Dr. Reddy's New Zealand Limited**Statement of Profit and Loss**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Sales, net		127,795	123,415
Other income	2.11	<u>7,725</u>	<u>5,695</u>
Total revenue		<u>135,520</u>	<u>129,110</u>
Expenses			
Purchase of stock-in-trade (traded goods)		76,219	97,125
Changes in inventories of stock-in-trade	2.12	32,718	(5,830)
Employee benefits expense	2.13	15,824	6,028
Depreciation expense	2.5	104	162
Other expenses	2.14	<u>35,395</u>	<u>23,869</u>
Total expenses		<u>160,260</u>	<u>121,354</u>
Profit / (Loss) before tax		(24,740)	7,756
Tax expense			
Current tax		-	(843)
Deferred tax benefit		<u>(8,914)</u>	<u>(83)</u>
Profit / (Loss) for the year		<u>(15,826)</u>	<u>8,682</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

*for A Ramachandra Rao & Co.**Chartered Accountants*

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Abhijit Mukerjee

Director

M V Narasimham

Director

Dr. Reddy's New Zealand Limited
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("IGAAP") under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Subsequent expenditure related to an item of tangible fixed asset is capitalised only if it increases the future benefits from the existing assets beyond its previously assessed standards of performance.

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ` 5,000/- are depreciated in full in the year of acquisition.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Furniture and fixtures	3 to 5

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Gains or losses from disposal of tangible fixed assets are recognised in the statement of profit and loss.

e) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value (NRV) is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of all categories of inventory is determined using weighted average cost method.

f) Employee benefits

Defined contribution plans

The company's contributions to defined contribution plans are charged to statement of profit and loss as and when the services are received from the employees.

Dr. Reddy's New Zealand Limited
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

g) Foreign currency transactions and balances

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

h) Revenue recognition

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is reasonably certain, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenue from the sale of goods is net of returns, sales tax and applicable trade discounts and allowances.

Sales returns

The Company accounts for sales returns by recording an allowance for sales returns concurrent with the recognition of revenue at the time of a product sale. This allowance is based on the Company's estimate of expected sales returns.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

i) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed at each balance sheet date and are written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Offsetting

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis.

j) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Dr. Reddy's New Zealand Limited

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
10,000 (previous year : 10,000) shares of NZD 1 each	<u>328</u>	<u>328</u>
Issued		
10,000 (previous year : 10,000) shares of NZD 1 each	<u>328</u>	<u>328</u>
Subscribed and paid-up		
10,000 (previous year : 10,000) shares of NZD 1 each	<u>328</u>	<u>328</u>
	<u>328</u>	<u>328</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	10,000	328	10,000	328
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	10,000	328	10,000	328

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of NZD 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Dr. Reddy's Laboratories SA	10,000	100	10,000	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Foreign currency translation reserve		
Balance at the beginning of the year	194	194
Movement during the year	<u>(194)</u>	<u>-</u>
	<u>-</u>	<u>194</u>
Securities premium reserve		
Balance at the beginning of the year	105,028	105,028
Movement during the year	<u>-</u>	<u>-</u>
	<u>105,028</u>	<u>105,028</u>
Deficit		
Balance at the beginning of the year	(10,366)	(19,048)
Add: Current year profit / (loss)	<u>(15,826)</u>	<u>8,682</u>
Balance carried forward	<u>(26,192)</u>	<u>(10,366)</u>
	<u>78,836</u>	<u>94,856</u>

Dr. Reddy's New Zealand Limited**Notes to Financial Statements**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.3 : Trade payables**

	As at 31 March 2014	As at 31 March 2013
Payables to holding company and other group companies	3,877	42,017
Payables to others	<u>2,494</u>	<u>5,922</u>
	<u>6,371</u>	<u>47,939</u>

2.4 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Accrued expenses	365	1,254
Due to statutory authorities	<u>407</u>	<u>157</u>
	<u>772</u>	<u>1,411</u>

Dr. Reddy's New Zealand Limited
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.5 : Fixed assets

Description	Gross Block			Depreciation / Amortization				Net Block		
	As at 01.04.2013	Additions	Deletions	As at 31.03.2014	As at 01.04.2013	For the year	Deletions	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Furniture and fixtures	553	-	-	553	402	104		506	47	151
Total tangible assets (A)	553	-	-	553	402	104	-	506	47	151
Intangibles	105,013	-	-	105,013	105,013	-	-	105,013	-	-
Total intangible assets (B)	105,013	-	-	105,013	105,013	-	-	105,013	-	-
Total (A+B)	105,566	-	-	105,566	105,415	104	-	105,519	47	151
Previous year	105,498	68	-	105,566	105,253	162	-	105,415	151	

Dr. Reddy's New Zealand Limited
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.6 : Long term loans and advances

	As at 31 March 2014	As at 31 March 2013
Advance tax, net of provision for income taxes	3,487	2,875
	<u>3,487</u>	<u>2,875</u>

2.7 : Inventories
(Valued on weighted average basis)

	As at 31 March 2014	As at 31 March 2013
Stock-in-trade	7,457	40,175
	<u>7,457</u>	<u>40,175</u>

2.8 : Trade receivables

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
Debts outstanding for a period exceeding six months	-	-
Other debts		
Considered good	22,285	11,972
	<u>22,285</u>	<u>11,972</u>

2.9 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Cash on hand	22	8
Bank balances		
In current accounts	40,188	88,209
	<u>40,210</u>	<u>88,217</u>

2.10 : Short term loans and advances

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
<i>Considered good</i>		
Other advances	3,356	637
	<u>3,356</u>	<u>637</u>

2.11 : Other income

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest income	655	610
Foreign exchange gain, net	7,070	5,085
	<u>7,725</u>	<u>5,695</u>

Dr. Reddy's New Zealand Limited
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.12 : Changes in inventories of stock-in-trade

	For the year ended 31 March 2014	For the year ended 31 March 2013
<i>Opening</i>		
Stock-in-trade	40,175	34,345
<i>Closing</i>		
Stock-in-trade	7,457	40,175
<i>Net decrease/(increase)</i>	32,718	(5,830)

2.13 : Employee benefits expense

	For the year ended 31 March 2014	For the year ended 31 March 2013
Salaries, wages and bonus	15,516	5,916
Contribution to provident and other funds	281	62
Staff welfare expenses	27	50
	15,824	6,028

2.14 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Legal and professional	2,244	2,373
Carriage outward	512	317
Selling expenses	24,936	15,767
Travelling and conveyance	1,280	122
Communication	595	352
Rent	2,205	2,353
Other general expenses	3,623	2,585
	35,395	23,869

2.15 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.16 : Deferred taxation

Deferred tax asset, net included in the balance sheet comprises the following:

Particulars	As at 31 March 2014	As at 31 March 2013
Deferred tax assets / (liabilities)		
Losses carry forward	9,017	-
Inventories	656	576
Current assets	226	226
Fixed assets	2	2
Current liabilities	(436)	(297)
Deferred tax asset, net	9,465	507

Dr. Reddy's New Zealand Limited**Notes to Financial Statements**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.17 : Related party disclosures**

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
i. Purchases and services from holding and other group companies:		
Dr. Reddy's Laboratories Limited	48,428	85,221
Dr. Reddy's Laboratories (Australia) Pty Limited	3,913	-

b. The Company has the following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	1,104	41,702
Dr. Reddy's Laboratories (Australia) Pty Limited	2,773	315

2.18 : Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.19 : The Company incorporated in the New Zealand, is a 100% subsidiary of Dr. Reddy's Laboratories SA, Switzerland.

As per our report of even date attached

for **A Ramachandra Rao & Co.***Chartered Accountants*

ICAI FRN : 002857S

for and on behalf of the Board of Directors**Abhijit Mukerjee**

Director

A Ramachandra Rao

Partner

Membership No. 9750

M V Narasimham

Director

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Pharma SEZ Limited

Directors' Report

Dear Members,

Your Directors present the 5th Annual Report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in thousands)

Particulars	31 March 2014	31 March 2013
Profit/ (Loss) for the period after taxation	(291)	(14)
Balance brought forward	(209)	(195)
Balance carried forward to Balance Sheet	(500)	(209)

Operations

The Company did not have any operations during the year.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2014.

Share capital

During the year under review, there was no change in the share capital of the Company.

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of loss of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Directors

1. Mr. Satish Reddy, retires by rotation at the ensuing Annual General Meeting scheduled on 28 July 2014 and being eligible seeks re-appointment. Your Directors recommend his re-appointment for your approval at the ensuing AGM.
2. Mr. G V Prasad resigned from the Board of Directors of the Company and ceases to a Director of the Company with effect from 30 October 2013. The Board accorded its deep appreciation for the services rendered by him during his term.
3. The Board of Directors had appointed Dr. R Ananthanarayanan as an Additional Director on the Board of Directors of the Company on 30 October 2013. He will hold this office till the conclusion of the 5th Annual General Meeting of the Company. Requisite notice under Section 160 of the Companies Act, 2013 has been received from a member proposing his appointment. It is proposed to appoint him as a Director of the Company liable to retire by rotation. The resolution for the same has been included in the notice of the 5th Annual General Meeting of the Company.

Dr. Reddy's Pharma SEZ Limited

Directors' Report

Auditors

The Statutory Auditors of the Company M/s. A. Ramachandra Rao & Co., Chartered Accountants, retire at the ensuing 5th Annual General Meeting and have confirmed their eligibility and willingness to accept office of auditors, if re-appointed. The Board of Directors recommend the re-appointment of M/s. A. Ramachandra Rao & Co., Chartered Accountants as Statutory Auditors of the Company for the financial year 2014-15 for shareholder's approval.

Particulars of Employees

There are no employees who are drawing salary more than the amount as specified under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended from time to time. Hence the relevant provisions are not applicable to your Company.

Conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your directors place on record their sincere appreciation for support and co-operation extended by all the concerned to the Company during the year.

for and on behalf of the Board of Directors

Saumen Chakraborty
Director

Place: Hyderabad
Date: 9 May 2014

R Ananthanarayanan
Director

Independent Auditors' Report

To

**The Members of
Dr. Reddy's Pharma SEZ Limited**

We have audited the accompanying financial statements of **Dr. Reddy's Pharma SEZ Limited** which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date; and
- (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

As required by section 227(3) of the Act, we report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.

- c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
- e) on the basis of written representations received from the directors as on 31 March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

for **A.Ramachandra Rao & Co**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No. : 9750

Place: Hyderabad
Date: 9 May 2014

ANNEXURE TO THE AUDITORS' REPORT

Re: Dr. Reddy's Pharma SEZ Limited

- i. The Company does not have any fixed assets and hence para 4(1)(a) to (c) are not applicable.
- ii. a) The company does not have any inventories and as such verification of stocks does not arise.
b) In view of the above, the clauses 4(ii)(c) are not applicable to the company.
- iii. (a) the company has not granted or taken any loans, secured or unsecured, from or to companies, firms or other parties covered in the register maintained u/s 301 of the Act during the year.
(b) In view of the above, the sub-clauses (b), 4(iii)(c), and 4(iii)(d), are not applicable to the company.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the company and the nature of its business. The activities of the Company do not involve purchase of inventory and sale of goods. During the course of our audit, we have not observed any major weaknesses in internal control system.
- v. In our opinion, and according to the information and explanations given to us, we are of the opinion that the company has not entered into any transactions referred to in section 301 of the Companies Act 1956 and hence the Clause 4(v)(b) is not applicable to the company for the year;
- vi. Based on the information provided to us, in our opinion, the Company has not accepted any Deposits from the public during the year and hence, in our opinion, the Clause 4(vi) is not applicable to the company for the year;
- vii. We are of the opinion, based on the information provided to us, that the Central Government has not prescribed any accounts and records, which are required to be maintained under section 209(1)(d) of the Act.
- viii. (a) According to the records of the company, the company is regular in depositing the undisputed statutory dues including Sales tax, Income-tax, Customs duty, Excise duty and Employees State Insurance and Provident Fund and cess, investor education fund with the appropriate authorities. We have been informed that the provisions of Employees state Insurance, Wealth tax and excise duty are not applicable to the company.
(b) According to the information and explanations given to us, there are no dues of sales tax/income tax/ customs duty/Wealth tax /excise duty/cess to be deposited on account of any dispute;
c) Further, since the Central Government has till date not prescribed the amount of cess payable under section 441A of the companies act 1956, we are not in a position to comment upon the regulatory or otherwise of the company in depositing the same.
- ix. In our opinion the accumulated losses of the company are more than fifty percent of its net worth. The company has incurred cash losses during the financial year covered by our audit and immediately preceding the financial year.
- x. Based on the information provided and explanation given to us, the company has not taken any loans from banks and hence the clause 4(xi) is not applicable to the company for the year.
- xi. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the company on the basis of security by way of pledge of shares, debentures and other securities.
- xii. In our opinion, the Company is not a Chit fund or Nidhi / Mutual Benefit Fund / Society and hence clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
- xiii. Based on the information given to us, the Company has not dealt or traded in shares, securities, debentures or other investments during the year.
- xiv. Based on the information provided to us, the Company has not given guarantees for loans taken by others from Banks or Financial Institutions.
- xv. According to the information and explanations given to us, the company has not obtained any term loans during the year and hence clause 4(xvi) of the order is not applicable to the company.

- xvi. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we are of the opinion that the Company has no short-term sources of funds. Thus, paragraph 4(xvii) of the order is not applicable.
- xvii. Based on the information provided and explanations offered, during the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained u/s 301 of the Companies Act 1956 and hence sub clause (xvii) of the order is not applicable to the company for the year.
- xviii. The Company has not issued any debentures and not created any securities or charges in respect of any debentures.
- xix. The Company has not raised any money by way of Public Issue during the year.
- xx. In our opinion and according to the information provided and explanations offered to us, no fraud on or by the Company has been noticed or reported during the year.

for **A.Ramachandra Rao & Co**

Chartered Accountants

ICAI FRN: 002857S

A. Ramachandra Rao

Partner

Membership No. : 9750

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Pharma SEZ Limited
Balance Sheet

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	500	500
Reserves and surplus	2.2	(500)	(209)
		-	291
Current liabilities			
Other current liabilities	2.3	-	28
		-	28
	TOTAL	-	319
ASSETS			
Current assets			
Cash and bank balances	2.4	-	319
		-	319
	TOTAL	-	319

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Saumen Chakraborty

Director

R Ananthanarayanan

Director

Dr. Reddy's Pharma SEZ Limited
Statement of Profit and Loss

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Total revenue		-	-
Expenses			
Other expenses	2.5	<u>291</u>	<u>14</u>
Total expenses		<u>291</u>	<u>14</u>
Loss before tax		(291)	(14)
Tax expense		<u>-</u>	<u>-</u>
Loss for the year		<u>(291)</u>	<u>(14)</u>
Earnings per share	2.7		
Basic - Par value ` 10/- per share		(5.82)	(0.27)
Diluted - Par value ` 10/- per share		(5.82)	(0.27)
Number of shares used in computing earnings per share			
Basic		50,000	50,000
Diluted		50,000	50,000

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Saumen Chakraborty

Director

R Ananthanarayanan

Director

Dr. Reddy's Pharma SEZ Limited**Cash Flow Statement**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	For the year ended 31 March 2014	For the year ended 31 March 2013
Cash flow from operating activities		
Loss for the year	(291)	(14)
Operating profit before working capital changes	<u>(291)</u>	<u>(14)</u>
<i>Changes in operating assets and liabilities</i>		
Other current liabilities	(28)	9
Cash used in operations	<u>(319)</u>	<u>(5)</u>
Income tax paid	-	-
Net cash used in operating activities	<u>(319)</u>	<u>(5)</u>
Cash flows from/(used in) investing activities	-	-
Cash flows from/(used in) financing activities	-	-
Net decrease in cash & bank balances	<u>(319)</u>	<u>(5)</u>
Cash & bank balances at the beginning of the year	319	324
Cash & bank balances at the end of the year	<u><u>-</u></u>	<u><u>319</u></u>

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN No.: 002857S

A Ramachandra Rao

Partner

Membership No.: 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Saumen Chakraborty

Director

R Ananthanarayanan

Director

Dr. Reddy's Pharma SEZ Limited
Significant accounting Policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("IGAAP") under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares, if any.

e) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Dr. Reddy's Pharma SEZ Limited

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
1,000,000 (previous year : 1,000,000) equity shares of ` 10/- each	<u>10,000</u>	<u>10,000</u>
	<u>10,000</u>	<u>10,000</u>
Issued		
50,000 (previous year : 50,000) equity shares of ` 10/- each fully paid up	<u>500</u>	<u>500</u>
	<u>500</u>	<u>500</u>
Subscribed and paid-up		
50,000 (previous year : 50,000) equity shares of ` 10/- each fully paid up	<u>500</u>	<u>500</u>
	<u>500</u>	<u>500</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Equity Shares

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	50,000	500	50,000	500
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	50,000	500	50,000	500

(b) Terms/rights attached to shares

The company has only one class of equity share having a par value of ` 10/- per share . Each holder of equity share is entitled to one vote per share

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
Dr. Reddy's Laboratories Lintied (including shares held by nominees)	50,000	100	50,000	100

Dr. Reddy's Pharma SEZ Limited**Notes to Financial Statements**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.2 : Reserves and surplus**

	As at 31 March 2014	As at 31 March 2013
<i>Deficit</i>		
Balance at the beginning of the year	(209)	(195)
Add: Current year loss	(291)	(14)
Balance carried forward	<u>(500)</u>	<u>(209)</u>

2.3 Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Other current liabilities	<u>-</u>	<u>28</u>
	<u>-</u>	<u>28</u>

2.4 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Bank balances		
In current accounts	<u>-</u>	<u>319</u>
	<u>-</u>	<u>319</u>

2.5 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Rates and taxes	-	3
Auditors' remuneration	11	11
Other general expenses	<u>280</u>	<u>-</u>
	<u>291</u>	<u>14</u>

Dr. Reddy's Pharma SEZ Limited
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.6 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.7 : Earnings per share

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
Loss for the year	(291)	(14)
Shares:		
Weighted average number of equity shares outstanding during the year - Basic	50,000	50,000
Weighted average number of equity shares outstanding during the year - Diluted	50,000	50,000
Basic Earnings/(Loss) in ` per share	(5.82)	(0.27)
Diluted Earnings/(Loss) in ` per share	(5.82)	(0.27)

2.8 : Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Saumen Chakraborty

Director

A Ramachandra Rao

Partner

Membership No. 9750

R Ananthanarayanan

Director

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Singapore PTE. LTD.

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the period 22 October 2013 to 31 March 2014. The company was incorporated on 22 October 2013.

Financial Highlights

The following table gives the financial highlights of the Company for the period 22 October 2013 to 31 March 2014.

(` in thousands)

Particulars	22 October 2013 to 31 March 2014
Loss for the period after taxation	(1,349)
Balance brought forward	-
Balance carried forward to balance sheet	(1,349)

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of 31 March 2014 and of loss of the Company for the period 22 October 2013 to 31 March 2014.
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Saumen Chakraborty
Director

Place: Hyderabad
Date: 9 May 2014

K. Ganesh
Director

Auditors' Report

To
The Members of
Dr. Reddy's Singapore PTE. LTD.

We have audited the accompanying financial statements of **Dr. Reddy's Singapore PTE. LTD.**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the period 22 October 2013 to 31 March 2014 and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the period 22 October 2013 to 31 March 2014.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

Dr. Reddy's Singapore Pte. Ltd.**Balance Sheet**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014
EQUITY AND LIABILITIES		
Shareholders' funds		
Share capital	2.1	24,869
Reserves and surplus	2.2	<u>(1,349)</u>
		<u>23,520</u>
Current liabilities		
Other current liabilities	2.3	<u>271</u>
		<u>271</u>
	TOTAL	<u>23,791</u>
ASSETS		
Current assets		
Cash and bank balances	2.4	<u>23,791</u>
		<u>23,791</u>
	TOTAL	<u>23,791</u>

Significant accounting policies

The accompanying notes are an integral part of financial statements

1

As per our report of even date attached

*for A Ramachandra Rao & Co.**Chartered Accountants*

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Saumen Chakraborty

Director

A Ramachandra Rao

Partner

Membership No. 9750

K. Ganesh

Director

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Singapore Pte. Ltd.

Statement of Profit and Loss

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the period 22 October 2013 to 31 March 2014
Total revenue		-
Expenses		
Other expenses	2.5	1,349
Total expenses		<u>1,349</u>
Loss before tax		(1,349)
Tax expense		-
Loss for the year		<u><u>(1,349)</u></u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for **and on behalf of the Board of Directors**

Saumen Chakraborty

Director

A Ramachandra Rao

Partner

Membership No. 9750

K. Ganesh

Director

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Singapore Pte. Ltd.

Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) *Basis of preparation of financial statements*

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("IGAAP") under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) *Use of estimates*

The preparation of the financial statements in conformity with IGAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) *Current and non-current classification*

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) *Foreign currency transactions and balances*

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

e) *Provisions, contingent liabilities and contingent assets*

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Dr. Reddy's Singapore Pte. Ltd.**Notes to Financial Statements**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements**2.1 : Share capital**

	As at 31 March 2014
Authorised	
500,000 equity shares of SGD 1 each	24,869
Issued	
500,000 equity shares of SGD 1 each	24,869
Subscribed and paid-up	
500,000 equity shares of SGD 1 each	24,869
	24,869

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014	
	No. of equity shares	Amount
Number of shares outstanding at the 22 October 2013	-	-
Shares issued during the period	500,000	24,869
Number of shares outstanding at the 31 March 2014	500,000	24,869

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of SGD 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014	
	No. of equity shares	% of equity shares
Dr. Reddy's Laboratories SA	500,000	100

2.2 : Reserves and surplus

	As at 31 March 2014
Deficit	
Balance as at 22 October 2013	-
Add: Current period loss	(1,349)
Balance carried forward	(1,349)

2.3 : Other current liabilities

	As at 31 March 2014
Accrued expenses	271
	271

Dr. Reddy's Singapore Pte. Ltd.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.4 : Cash and bank balances

	As at 31 March 2014
Bank balances	
In current accounts	23,791
	<u><u>23,791</u></u>

2.5 : Other expenses

	For the period 22 October 2013 to 31 March 2014
Legal and professional	33
Audit fees	241
Foreign exchange loss, net	1,075
	<u><u>1,349</u></u>

2.6 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014.

2.7 : The company was incorporated on 22 October 2013. Accordingly, comparative figures are not presented.

2.8 : The Company incorporated in Singapore, is a 100% subsidiary of Dr. Reddy's Laboratories SA.

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for **and on behalf of the Board of Directors**

Saumen Chakraborty
Director

A Ramachandra Rao
Partner
Membership No. 9750

K. Ganesh
Director

Place: Hyderabad
Date: 9 May 2014

Dr. Reddy's Srl
Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in thousands)

Particulars	31 March 2014	31 March 2013
Loss for the year after taxation	(3,573)	(167,073)
Balance brought forward	(833,351)	(666,278)
Balance carried forward to balance sheet	(836,924)	(833,351)

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of loss of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Sameer Natu
Director

Place: Hyderabad
Date: 9 May 2014

Stanislao Carlo Caputo
Director

Auditors' Report

To
The Members of
Dr. Reddy's Srl

We have audited the accompanying financial statements of **Dr. Reddy's Srl**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**

Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

Dr. Reddy's Srl
Balance Sheet

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	6,234	6,234
Reserves and surplus	2.2	(1,026,795)	(861,672)
		<u>(1,020,561)</u>	<u>(855,438)</u>
Non current liabilities			
Long term borrowings	2.3	940,955	811,702
Other long term liabilities	2.4	-	6,756
		<u>940,955</u>	<u>818,458</u>
Current liabilities			
Trade payables	2.5	8,376	48,269
Other current liabilities	2.4	164,549	160,741
		<u>172,925</u>	<u>209,010</u>
	TOTAL	<u>93,319</u>	<u>172,030</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	313	763
		<u>313</u>	<u>763</u>
Current assets			
Inventories	2.7	907	8,680
Trade receivables	2.8	21,850	84,117
Cash and bank balances	2.9	56,600	56,994
Short term loans and advances	2.10	13,649	21,476
		<u>93,006</u>	<u>171,267</u>
	TOTAL	<u>93,319</u>	<u>172,030</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao
Partner
Membership No. 9750

Sameer Natu
Director

Stanislao Carlo Caputo
Director

Place: Hyderabad
Date: 9 May 2014

Dr. Reddy's Srl
Statement of Profit and Loss

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Sales, net		86,732	253,714
License fees		21,729	-
Other operating revenues		-	10,250
Revenue from operations		108,461	263,964
Other income	2.11	3,832	607
Total revenue		112,293	264,571
Expenses			
Purchase of stock-in-trade (traded goods)		18,770	138,262
Changes in inventories of stock-in-trade	2.12	7,773	38,628
Employee benefits expense	2.13	15,053	29,386
Depreciation and amortization expense	2.6	582	9,375
Other expenses	2.14	73,688	199,039
Total expenses		115,866	414,690
Profit / (Loss) before exceptional items and tax		(3,573)	(150,119)
Exceptional items			
- Impairment of intangibles	2.17	-	16,954
Profit / (Loss) before tax		(3,573)	(167,073)
Tax expense		-	-
Profit / (Loss) for the year		(3,573)	(167,073)

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Sameer Natu

Director

Stanislao Carlo Caputo

Director

Dr. Reddy's Srl
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“IGAAP”) under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ` 5,000/- are depreciated in full in the year of acquisition.

Management’s estimate of the useful life of fixed assets is given below:

	Years
Office equipments	3

Depreciation method, useful lives and residual values are reviewed at each reporting date.

Gains or losses from disposal of tangible fixed assets are recognised in the statement of profit and loss.

e) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition including any import duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use.

Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives, commencing from the date the asset is available to the Company for its use.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and disposal. Gains or losses arising from the disposal of intangible asset are recognised in the statement of profit and loss.

f) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value (NRV) is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of all categories of inventory is determined using weighted average cost method.

Dr. Reddy's Srl
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

g) Foreign currency transactions and balances

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

h) Revenue recognition

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is reasonably certain, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenue from the sale of goods is net of returns, sales tax and applicable trade discounts and allowances.

License fee

The Company enters into certain dossier sales, licensing and supply arrangements with various parties. Income from licensing arrangements is generally recognised over the term of the contract. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognized in the period in which the Company completes all its performance obligations.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

i) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

j) Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets (Cash Generating Unit or CGU) that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. Value in use is the present value of the estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss.

Dr. Reddy's Srl
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
99,000 (previous year : 99,000) shares of Euro 1 each	<u>6,234</u>	<u>6,234</u>
Issued		
99,000 (previous year : 99,000) shares of Euro 1 each	<u>6,234</u>	<u>6,234</u>
Subscribed and paid-up		
99,000 (previous year : 99,000) shares of Euro 1 each	<u>6,234</u>	<u>6,234</u>
	<u>6,234</u>	<u>6,234</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	99,000	6,234	99,000	6,234
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	99,000	6,234	99,000	6,234

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of Euro 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Reddy Pharma Italia S.p.A.	99,000	100	99,000	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Foreign currency translation reserve		
Balance at the beginning of the year	(41,363)	(27,474)
Movement during the year	<u>(161,550)</u>	<u>(13,889)</u>
	<u>(202,913)</u>	<u>(41,363)</u>
Securities premium reserve		
Balance at the beginning of the year	13,042	13,042
Movement during the year	<u>-</u>	<u>-</u>
	<u>13,042</u>	<u>13,042</u>
Deficit		
Balance at the beginning of the year	(833,351)	(666,278)
Add: Current year loss	<u>(3,573)</u>	<u>(167,073)</u>
Balance carried forward	<u>(836,924)</u>	<u>(833,351)</u>
	<u>(1,026,795)</u>	<u>(861,672)</u>

Dr. Reddy's Srl
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

Note 2: Notes to financial statements (continued)

2.3 : Long term borrowings

	As at 31 March 2014	As at 31 March 2013
<i>Unsecured</i>		
Borrowings from holding company and other group companies	940,955	811,702
	<u>940,955</u>	<u>811,702</u>

2.4 : Other liabilities

a) Other long term liabilities

	As at 31 March 2014	As at 31 March 2013
Deferred revenue - non current	-	6,756
	<u>-</u>	<u>6,756</u>

b) Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Due to holding company and other group companies	77,685	77,481
Accrued expenses	28,725	48,569
Due to statutory authorities	5,096	2,411
Others	53,043	32,280
	<u>164,549</u>	<u>160,741</u>

2.5 : Trade payables

	As at 31 March 2014	As at 31 March 2013
Payables to holding company and other group companies	8,376	18,562
Payables to others	-	29,707
	<u>8,376</u>	<u>48,269</u>

Dr. Reddy's Srl
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.6 : Fixed assets

Description	Gross Block					Depreciation / Amortisation / Impairment					Net Block		
	As at 01.04.2013	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 01.04.2013	For the year	Impairment	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Office equipments	3,111	-	-	590	3,701	2,348	582	-	-	458	3,388	313	763
Total tangible assets (A)	3,111	-	-	590	3,701	2,348	582	-	-	458	3,388	313	763
Product related intangible	128,905	-	-	22,934	151,839	128,905	-	-	-	22,934	151,839	-	-
Other Intangibles	9,113	-	-	1,621	10,734	9,113	-	-	-	1,621	10,734	-	-
Total intangible assets (B)	138,018	-	-	24,555	162,573	138,018	-	-	-	24,555	162,573	-	-
Total (A+B)	141,129	-	-	25,145	166,274	140,365	582	-	-	25,013	165,960	313	763
Previous year	137,560	190	-	3,379	141,129	111,527	9,375	16,954	-	2,509	140,365	763	

Dr. Reddy's Srl
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.7 : Inventories

(Valued on weighted average basis)

	As at 31 March 2014	As at 31 March 2013
Stock-in-trade	907	8,680
	<u>907</u>	<u>8,680</u>

2.8 : Trade receivables

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	-	31,266
Considered doubtful	35,723	36,488
Other debts		
Considered good	21,850	52,851
	<u>57,573</u>	<u>120,605</u>
<i>Less</i> : Provision for doubtful debts	<u>(35,723)</u>	<u>(36,488)</u>
	<u>21,850</u>	<u>84,117</u>

2.9 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Cash on hand	10	43
Bank balances		
In current accounts	41,707	39,577
Cash and cash equivalents (A)	<u>41,717</u>	<u>39,620</u>
In term deposit accounts (original maturity more than 3 months)	14,883	17,374
Other bank balances (B)	<u>14,883</u>	<u>17,374</u>
	<u>56,600</u>	<u>56,994</u>

2.10 : Short term loans and advances

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
<i>Considered good</i>		
Advances to material suppliers	1,283	1,207
Balances with statutory agencies	10,344	15,939
Prepaid expenses	939	2,617
Other advances	1,083	1,713
	<u>13,649</u>	<u>21,476</u>

2.11 : Other income

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest income	102	607
Foreign exchange gain, net	3,730	-
	<u>3,832</u>	<u>607</u>

Dr. Reddy's Srl
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.12 : Changes in inventories of stock-in-trade

	For the year ended 31 March 2013	For the year ended 31 March 2012
<i>Opening</i>		
Stock-in-trade	8,680	47,308
<i>Closing</i>		
Stock-in-trade	907	8,680
<i>Net decrease in stock</i>	<u>7,773</u>	<u>38,628</u>

2.13 : Employee benefits expense

	For the year ended 31 March 2014	For the year ended 31 March 2013
Salaries, wages and bonus	14,290	28,549
Staff welfare expenses	763	837
	<u>15,053</u>	<u>29,386</u>

2.14 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Legal and professional	36,660	46,578
Carriage outward	2,276	9,501
Commision on Sales	6,161	43,131
Selling expenses	2,431	52,754
Travelling and conveyance	1,642	5,621
Communication	146	975
Rent	222	336
Insurance	497	485
Foreign exchange loss, net	-	447
Provision / (reversal) for doubtful debts and advances	(7,676)	5,149
Printing and stationery	296	1,466
Bank charges	2,447	3,391
Other general expenses	28,586	29,205
	<u>73,688</u>	<u>199,039</u>

Dr. Reddy's Srl
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.15 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.16 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
i. Operating expense paid / payable to holding company and other group companies:		
Reddy Pharma Italia S.p.A	28,664	28,338
Dr. Reddy's Laboratories Limited	2,049	6,444
ii. Purchases and services received from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	19,977	55,189
Dr. Reddy's Laboratories (UK) Limited	-	2,870

b. The Company has the following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due to holding company and other group companies (included in borrowings and other liabilities):		
Dr. Reddy's Laboratories Limited	-	11,566
Reddy Pharma Italia S.p.A	1,018,640	877,617
ii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	8,376	18,562

2.17 : Impairment of Intangibles

Based on the business performance and expected cash flows from its business, the Company carried out an impairment test of its product related intangibles and recorded an impairment loss of ` 16,954 during the year ended 31 March 2013.

2.18 : Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.19 : The Company, incorporated under the laws of Italy, is a 100% subsidiary of Reddy Pharma Italia S.p.A.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the **Board of Directors**

Sameer Natu

Director

A Ramachandra Rao

Partner

Membership No. 9750

Stanislao Carlo Caputo

Director

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Venezuela, C.A.

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in thousands)

Particulars	31 March 2014	31 March 2013
Profit / (loss) for the year after taxation	11,356	(17,198)
Balance brought forward	(47,282)	(30,084)
Balance carried forward to balance sheet	(35,926)	(47,282)

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of profit of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Place: Hyderabad
Date: 9 May 2014

Jayadeep Shukla
General Manager

Auditors' Report

To
The Members of
Dr. Reddy's Venezuela, C.A.

We have audited the accompanying financial statements of **Dr. Reddy's Venezuela, C.A.**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the profit for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN: 002857S

A. Ramachandra Rao

Partner

Membership No.: 9750

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Venezuela, C.A.**Balance Sheet**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	58,316	58,316
Reserves and surplus	2.2	(35,926)	(47,282)
		22,390	11,034
Current liabilities			
Short term borrowings	2.3	6	6
Trade payables	2.4	120,701	145
Other current liabilities	2.5	45,370	4,764
Short term provisions	2.6	243	55
		166,320	4,970
	TOTAL	188,710	16,004
ASSETS			
Current assets			
Inventories	2.7	64,806	-
Trade receivables	2.8	75,107	5,487
Cash and bank balances	2.9	25,460	10,173
Short term loans and advances	2.10	23,329	336
Other current assets	2.11	8	8
		188,710	16,004
	TOTAL	188,710	16,004

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Jayadeep Shukla

General Manager

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Venezuela, C.A.**Statement of Profit and Loss**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Sales, net		294,753	5,444
Revenue from operations		<u>294,753</u>	<u>5,444</u>
Foreign exchange gain, net		4,484	-
Total revenue		<u>299,237</u>	<u>5,444</u>
Expenses			
Purchase of stock-in-trade (traded goods)		263,617	4,324
Changes in inventories of stock-in-trade		(64,806)	-
Employee benefits expense	2.12	9,161	6,618
Finance costs	2.13	2,647	2,176
Other expenses	2.14	77,262	9,524
Total expenses		<u>287,881</u>	<u>22,642</u>
Profit / (Loss) before tax		11,356	(17,198)
Tax expense		-	-
Profit / (Loss) for the year		<u>11,356</u>	<u>(17,198)</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Jayadeep Shukla

General Manager

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

Dr. Reddy's Venezuela, C.A.
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("IGAAP") under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value (NRV) is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of all categories of inventory is determined using weighted average cost method.

e) Employee benefits

Defined contribution plans

The company's contributions to defined contribution plans are charged to statement of profit and loss as and when the services are received from the employees.

f) Revenue recognition

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is reasonably certain, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenue from the sale of goods is net of returns, sales tax and applicable trade discounts and allowances.

Sales returns

The Company accounts for sales returns by recording an allowance for sales returns concurrent with the recognition of revenue at the time of a product sale. This allowance is based on the Company's estimate of expected sales returns.

g) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Dr. Reddy's Venezuela, C.A.
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

h) Foreign currency transactions, balances and translation of financial statements

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

Dr. Reddy's Venezuela, C.A.**Notes to Financial Statements**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements**2.1 : Share capital**

	As at 31 March 2014	As at 31 March 2013
Issued*		
10,633 (Previous year : 10,633) shares of VEF 430 each	<u>58,316</u>	<u>58,316</u>
Subscribed and paid-up		
10,633 (Previous year : 10,633) shares of VEF 430 each	<u>58,316</u>	<u>58,316</u>
	<u>58,316</u>	<u>58,316</u>

* No concept of authorised share capital in this company.

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	10,633	58,316	10,633	58,316
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	10,633	58,316	10,633	58,316

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of VEF 430 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Dr. Reddy's Laboratories SA	10,633	100	10,633	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Deficit		
Balance at the beginning of the year	(47,282)	(30,084)
Add: Current year profit / (loss)	11,356	(17,198)
Balance carried forward	<u>(35,926)</u>	<u>(47,282)</u>

2.3 : Short term borrowings

	As at 31 March 2014	As at 31 March 2013
Unsecured		
Other short term loans	<u>6</u>	<u>6</u>
	<u>6</u>	<u>6</u>

Dr. Reddy's Venezuela, C.A.**Notes to Financial Statements**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.4 : Trade payables**

	As at 31 March 2014	As at 31 March 2013
Payables to holding company and other group companies	120,541	-
Payables to others	160	145
	<u>120,701</u>	<u>145</u>

2.5 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Accrued expenses	45,251	4,714
Salary and bonus payable	55	50
Others	64	-
	<u>45,370</u>	<u>4,764</u>

2.6 : Short term provisions

	As at 31 March 2014	As at 31 March 2013
Allowance for sales returns	243	55
	<u>243</u>	<u>55</u>

2.7 : Inventories

	As at 31 March 2014	As at 31 March 2013
Stock-in-trade	64,806	-
	<u>64,806</u>	<u>-</u>

2.8 : Trade receivables

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	67	-
Other debts		
Considered good	75,040	5,487
	<u>75,107</u>	<u>5,487</u>

2.9 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Bank balances		
In current accounts	25,460	10,173
	<u>25,460</u>	<u>10,173</u>

Dr. Reddy's Venezuela, C.A.**Notes to Financial Statements**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.10 : Short term loans and advances**

Unsecured	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Prepaid expenses	155	-
Staff loans and advances	1,390	336
Other advances	21,784	-
	<u>23,329</u>	<u>336</u>

2.11 : Other current assets

	As at 31 March 2014	As at 31 March 2013
Other receivables from holding company and other group companies	<u>8</u>	<u>8</u>
	<u>8</u>	<u>8</u>

2.12 : Employee benefits expense

	For the year ended 31 March 2014	For the year ended 31 March 2013
Salaries, wages and bonus	6,113	6,456
Contribution to provident and other funds	2,938	-
Staff welfare expenses	110	162
	<u>9,161</u>	<u>6,618</u>

2.13 : Finance costs

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest expenses	<u>2,647</u>	<u>2,176</u>
	<u>2,647</u>	<u>2,176</u>

2.14 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Legal and professional	667	500
Rates and taxes	7,272	653
Foreign exchange loss, net	-	8,075
Rent	1,201	-
Insurance	95	-
Selling expenses	53,214	-
Travelling and conveyance	1,060	-
Bank charges	354	31
Other general expenses	13,399	265
	<u>77,262</u>	<u>9,524</u>

Dr. Reddy's Venezuela, C.A.**Notes to Financial Statements**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.15: Commitments and contingent liabilities**

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.16: Related party disclosures

a. The Company has the following related party transactions:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Purchases and services received from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	187,944	-

b. The Company has the following amounts due from / to related parties:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
i. Due from holding company and other group companies (included in other current assets):		
Dr. Reddy's Laboratories Limited	8	8
ii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	120,541	-

2.17: Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.18: The Company incorporated in Venezuela, is a 100% subsidiary of Dr. Reddy's Laboratories SA.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao

Partner

Membership No. 9750

Jayadeep Shukla

General Manager

Place: Hyderabad

Date: 9 May 2014

DRL Impex Limited

Directors' Report

Dear Members,

Your Directors present the 27th Annual Report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in thousands)

Particulars	31 March 2014	31 March 2013
Profit/ (Loss) for the period after taxation	59,245	(823,661)
Balance brought forward	(739,651)	84,010
Balance carried forward to Balance Sheet	(680,406)	(739,651)

Operations

During the year ended 31 March 2014, as part of the liquidation proceedings of I-Ven, a wholly owned subsidiary of the Company, the future royalty rights valued at Rs. 1,372,071, alongwith a cash amount of Rs.565,839, have been distributed to the Company.

The Company has recorded royalty income / license fees of Rs. 136,757 during the year ended 31 March 2014.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2014.

Share capital

During the year under review, there was no change in the share capital of the Company.

Subsidiary Company

The Company has one wholly owned subsidiary, namely I-Ven Pharma Capital Limited as on 31 March, 2014, which is under process of liquidation. The Hon'ble High Court of Karnataka vide its order dated December 13, 2013 has directed that, pursuant to Section 522 of the Companies Act, 1956, the winding up of M/s I-VEN Pharma Capital Limited (IVEN), wholly-owned subsidiary of the Company, be continued subject to the supervision of the Court. Further, pursuant to the said Order, the Members Liquidator has distributed to your Company, all the royalty rights which otherwise would have accrued to IVEN with effect from 1 January 2014.

The documents/statement, pursuant to the provision of Section 212 (1) of the Companies Act, 1956 are attached to the Balance sheet of your Company.

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

- 1 In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 2 We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of profit of the Company for that period;
- 3 We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- 4 We have prepared the annual accounts on going concern basis.

DRL Impex Limited

Directors' Report

Directors

Mr. Raghu Cidambi, retires by rotation at the ensuing Annual General Meeting scheduled on 28 July, 2014 and being eligible seeks re-appointment. Your Directors recommend his re-appointment for your approval at the ensuing AGM.

Mr. G V Prasad resigned from the Board of Directors of the Company and ceases to a Director of the Company with effect from 30 October, 2013. The Board accorded its deep appreciation for the services rendered by him during his term.

Auditors

The Statutory Auditors of the Company M/s. A. Ramachandra Rao & Co., Chartered Accountants, retire at the ensuing 27th Annual General Meeting and have confirmed their eligibility and willingness to accept office of auditors, if re-appointed. The Board of Directors recommend the re-appointment of M/s. A. Ramachandra Rao & Co., Chartered Accountants as Statutory Auditors of the Company for the financial year 2014-15 for shareholder's approval.

Particulars of Employees

There are no employees who are drawing salary more than the amount as specified under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended from time to time. Hence the relevant provisions are not applicable to your Company.

Conservation of energy, research and development, technology absorption, foreign exchange earnings and

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your directors place on record their sincere appreciation for support and co-operation extended by all the concerned to the Company during the year.

for and on behalf of the Board of Directors

Saumen Chakraborty
Director

Place: Hyderabad
Date: 9 May 2014

Raghu Cidambi
Director

Independent Auditors' Report

To
**The Members of
Dr. Reddy's Impex Limited**

We have audited the accompanying financial statements of **Dr. Reddy's Impex Limited** which comprise the Balance Sheet as at 31 March 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the profit for the year ended on that date; and
- (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

As required by section 227(3) of the Act, we report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.

- d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
- e) on the basis of written representations received from the directors as on 31 March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

for **A.Ramachandra Rao & Co**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No. : 9750

Place: Hyderabad
Date: 9 May 2014

ANNEXURE TO THE AUDITORS' REPORT

Re: Dr. Reddy's Impex Limited

- i. a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
b) All the Fixed Assets have not been physically verified by the management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets and to the best of our knowledge no material discrepancies were noticed on such verification;
c) In our opinion, the Company has not disposed off substantial part of fixed assets during the year and the going concern status of the Company is not affected.
- ii. The company does not have any inventories and hence, in our opinion, clauses 4(ii)(a) to (c) are not applicable to the company.
- iii. (a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained u/s 301 of the Act during the year.
(b) The company has taken unsecured loans from companies covered in the register maintained u/s.301 of the act. The number of parties is one and the amount involved is ` 2,045,356,558/-.
(c) In our opinion the rate of interest and other terms and conditions of loans taken are not prima facie prejudicial to the interest of the company
(d) In our opinion the payment of principal and interest are regular.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the company and the nature of its business. The activities of the Company do not involve purchase of inventory and sale of goods. During the course of our audit, we have not observed any major weaknesses in internal control system.
- v. In our opinion, and according to the information and explanations given to us, we are of the opinion that the company has entered into transactions that need to be entered into the register maintained under section 301 of the companies act 1956. In our opinion, each of these transactions have been made at prices which are reasonable, to the extent data made available to us, having regard to the prevailing market prices at the relevant time.
- vi. Based on the information provided to us, in our opinion, the Company has not accepted any Deposits from the public during the year and hence, in our opinion, the Clause 4(vi) is not applicable to the company for the year;
- vii. In our opinion, the company has an internal audit system to commensurate with its size and nature of its business.
- viii. We are of the opinion, based on the information provided to us, that the Central Government has not prescribed any accounts and records, which are required to be maintained under section 209(1)(d) of the Act.
- ix. (a) According to the records of the company, the company is regular in depositing the undisputed statutory dues including Sales tax, Income-tax, Customs duty, Excise duty and Employees State Insurance and Provident Fund and cess, investor education fund with the appropriate authorities. We have been informed that the provisions of Employees state Insurance, Wealth tax and excise duty are not applicable to the company.
(b) According to the information and explanations given to us, there are no dues of sales tax/income tax/ customs duty/Wealth tax /excise duty/cess to be deposited on account of any dispute;
c) Further, since the Central Government has till date not prescribed the amount of cess payable under section 441A of the companies act 1956,we are not in a position to comment upon the regulatory or otherwise of the company in depositing the same.
- x. In our opinion the accumulated losses of the company are more than fifty percent of its net worth. The company has not incurred cash losses during the financial year covered by our audit but incurred cash loss during the year immediately preceding the financial year.
- xi. Based on the information provided and explanation given to us, the company has not taken any loans from banks and hence the clause 4(xi) is not applicable to the company for the year.

- xii. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the company on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a Chit fund or Nidhi / Mutual Benefit Fund / Society and hence clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
- xiv. Based on the information given to us, the Company has not dealt or traded in shares, securities, debentures or other investments during the year.
- xv. Based on the information provided to us, the Company has not given guarantees for loans taken by others from Banks or Financial Institutions.
- xvi. According to the information and explanations given to us, the company has not obtained any term loans during the year and hence clause 4(xvi) of the order is not applicable to the company.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we are of the opinion that the Company has no short-term sources of funds. Thus, paragraph 4(xvii) of the order is not applicable.
- xviii. Based on the information provided and explanations offered, during the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained u/s 301 of the Companies Act 1956 and hence sub clause (xvii) of the order is not applicable to the company for the year.
- xix. The Company has not issued any debentures and not created any securities or charges in respect of any debentures.
- xx. The Company has not raised any money by way of Public Issue during the year.
- xxi. In our opinion and according to the information provided and explanations offered to us, no fraud on or by the Company has been noticed or reported during the year.

for **A.Ramachandra Rao & Co**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No. : 9750

Place: Hyderabad
Date: 9 May 2014

DRL Impex Limited**Balance Sheet**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	500	500
Reserves and surplus	2.2	(680,406)	(739,651)
		<u>(679,906)</u>	<u>(739,151)</u>
Non current liabilities			
Long term borrowings	2.3	2,045,357	2,592,869
		<u>2,045,357</u>	<u>2,592,869</u>
Current liabilities			
Other current liabilities	2.4	908	1,215
Short term provisions	2.5	-	3,733
		<u>908</u>	<u>4,948</u>
	TOTAL	<u>1,366,359</u>	<u>1,858,666</u>
ASSETS			
Non current assets			
Fixed assets	2.6		
Tangible assets		6,111	6,111
Intangible assets		1,235,314	-
Non current investments	2.7	-	1,837,789
Deferred tax assets, net		2,420	-
Long term loans and advances	2.8	7,806	-
		<u>1,251,651</u>	<u>1,843,900</u>
Current assets			
Trade receivables	2.9	111,757	-
Cash and bank balances	2.10	2,951	14,766
		<u>114,708</u>	<u>14,766</u>
	TOTAL	<u>1,366,359</u>	<u>1,858,666</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Saumen Chakraborty

Director

Raghu Cidambi

Director

DRL Impex Limited
Statement of Profit and Loss

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
License fees		136,757	-
Interest income		1	-
Total revenue		<u>136,758</u>	<u>-</u>
Expenses			
Finance costs		42,628	49,038
Other expenses	2.11	(99,452)	774,623
Amortization of intangibles	2.6	136,757	-
Total expenses		<u>79,933</u>	<u>823,661</u>
Profit / (Loss) before tax		56,825	(823,661)
Tax expense			
Deferred tax		(2,420)	-
Profit / (Loss) for the year		<u>59,245</u>	<u>(823,661)</u>
Earnings per share			
	2.14		
Basic - Par value ` 10/- per share		1,184.89	(16,473.22)
Diluted - Par value ` 10/- per share		1,184.89	(16,473.22)
Number of shares used in computing earnings per share			
Basic		50,000	50,000
Diluted		50,000	50,000

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Saumen Chakraborty

Director

Raghu Cidambi

Director

DRL Impex Limited
Cash Flow Statement

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	For the year ended 31 March 2014	For the year ended 31 March 2013
Cash flow from operating activities		
Profit/(Loss) before tax	56,825	(823,661)
Adjustments:		
Provision/(reversal of provision) for other than temporary diminution in the value of non current investments	(100,121)	774,592
Finance Cost	42,628	49,019
Amortisation	136,757	-
Operating cash flows before working capital changes	136,089	(50)
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(111,757)	-
Other current liabilities	(307)	(158)
Cash generated from /(used in)Operations	24,025	(208)
Income tax paid	(11,539)	6,939
Net cash provided by operating activities	12,486	6,731
Cash flows from/(used in) investing activities		
Proceeds from liquidation of subsidiary	565,839	-
Net cash flows from investing activities	565,839	-
Cash flows from/(used in) financing activities		
Interest paid	(81,349)	(4,903)
Proceeds / (Repayment) of long term borrowings	(508,791)	-
Cash flows used in financing activities	(590,140)	(4,903)
Net increase/(decrease) in cash & bank balances	(11,815)	1,828
Cash & bank balances at the beginning of the year	14,766	12,938
Cash & bank balances at the end of the year	2,951	14,766

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN No.: 002857S

A Ramachandra Rao

Partner

Membership No.: 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Saumen Chakraborty

Director

Raghu Cidambi

Director

DRL Impex Limited
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“IGAAP”) under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Land is not depreciated.

e) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition including any import duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use.

Intangible assets are amortised on a systematic basis over the best estimate of their useful lives, commencing from the date the asset is available to the Company for its use or on any other basis that reflects the pattern in which the asset’s future economic benefits are expected to be consumed by the entity.

The amortisation period and the amortisation method for intangible assets are reviewed at each financial year-end.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and disposal. Gains or losses arising from the disposal of intangible asset are recognised in the statement of profit and loss.

f) Investments

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as non-current investments.

Non-current investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment. The reduction in the carrying amount is reversed when there is a rise in the value of the investment or if the reasons for the reduction no longer exist. Any reduction in the carrying amount and any reversal in such reductions are charged or credited to the statement of profit and loss.

g) Revenue recognition

License fee

The Company enters into certain dossier sales, licensing and supply arrangements with various parties. Income from licensing arrangements is generally recognised over the term of the contract. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognized in the period in which the Company completes all its performance obligations.

DRL Impex Limited
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

g) Revenue recognition (continued)

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

h) Earnings per share

The basic earnings per share (“EPS”) is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares, if any.

i) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

DRL Impex Limited
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
50,000 (previous year : 50,000) equity shares of ` 10/- each	500	500
	<u>500</u>	<u>500</u>
Issued		
50,000 (previous year : 50,000) equity shares of ` 10/- each fully paid up	500	500
	<u>500</u>	<u>500</u>
Subscribed and paid-up		
50,000 (previous year : 50,000) equity shares of ` 10/- each fully paid up	500	500
	<u>500</u>	<u>500</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Equity Shares

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	50,000	500	50,000	500
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	50,000	500	50,000	500

(b) Terms/rights attached to shares

The company has only one class of equity share having a par value of ` 10/- per share . Each holder of equity share is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
Dr. Reddy's Laboratories Limited (including shares held by nominees)	50,000	100	50,000	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Deficit		
Balance at the beginning of the year	(739,651)	84,010
Add: Current year profit / (loss)	59,245	(823,661)
Balance carried forward	<u>(680,406)</u>	<u>(739,651)</u>

2.3 : Long term borrowings

	As at 31 March 2014	As at 31 March 2013
Unsecured		
Long term borrowings from holding company	2,045,357	2,592,869
	<u>2,045,357</u>	<u>2,592,869</u>

DRL Impex Limited
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.4 Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Due to statutory authorities	773	1,091
Others	135	124
	<u>908</u>	<u>1,215</u>

2.5 : Short term provisions

	As at 31 March 2014	As at 31 March 2013
Provision for Tax	-	3,733
	<u>-</u>	<u>3,733</u>

DRL Impex Limited
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.6 : Fixed assets

Description	Gross Block			Depreciation / Amortization				Net Block		
	As at 01.04.2013	Additions	Deletions	As at 31.03.2014	As at 01.04.2013	For the year	Deletions	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Land	6,111	-	-	6,111	-	-	-	-	6,111	6,111
Total tangible assets (A)	6,111	-	-	6,111	-	-	-	-	6,111	6,111
Product related intangibles	-	1,372,071	-	1,372,071	-	136,757	-	136,757	1,235,314	-
Total intangible assets (B)	-	1,372,071	-	1,372,071	-	136,757	-	136,757	1,235,314	-
Total assets (A+B)	6,111	1,372,071	-	1,378,182	-	136,757	-	136,757	1,241,425	6,111
Previous year	6,111	-	-	6,111	-	-	-	-	6,111	

DRL Impex Limited
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.7 : Non current investments

	As at 31 March 2014	As at 31 March 2013
Non current investments at cost		
In Subsidiary Companies		
I-Ven Pharma Capital Limited	-	2,612,381
Less: Provision for decline, other than temporary, in the value of non current investments	-	(774,592)
	<u>-</u>	<u>1,837,789</u>

2.8: Long term loans and advances

	As at 31 March 2014	As at 31 March 2013
Advance tax	7,806	-
	<u>7,806</u>	<u>-</u>

2.9: Trade receivables

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
Debts outstanding for a period exceeding six months	-	-
Other debts		
Considered good	111,757	-
	<u>111,757</u>	<u>-</u>

2.10 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Bank balances		
In current accounts	2,951	14,766
	<u>2,951</u>	<u>14,766</u>

2.11 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Legal and professional	650	5
Rates and taxes	8	15
Auditors' remuneration	11	11
Provision/(reversal of provision) for other than temporary diminution in the value of non current investments (see note 2.12)	(100,121)	774,592
	<u>(99,452)</u>	<u>774,623</u>

DRL Impex Limited
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.12 : Unquoted investment in Subsidiary

During the year ended 31 March 2013, consequent to the decline in expected cash flows of some of the products forming part of product related intangibles, the Company assessed the recoverability of money invested in I-Ven Pharma Capital Limited ("I-Ven") and created a provision of Rs.774,592 for diminution, other than temporary, in the value of long term investments. The remaining carrying value of the investment as on 31 March 2013 was Rs.1,837,789.

Further, during the year ended 31 March 2013, I-Ven commenced the voluntary members winding-up proceedings.

During the year ended 31 March 2014, as part of the liquidation proceedings of I-Ven, the future royalty rights valued at Rs. 1,372,071, alongwith a cash amount of Rs.565,839, have been distributed to the Company. Accordingly, the Company received a total value of Rs 1,937,910 as against net carrying value of investment of Rs 1,837,789. Consequently, an amount of Rs.100,121 pertaining to the provision for long term decline in value of investments recorded during the year ended 31 March 2013 is reversed during the year ended 31 March 2014.

2.13 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.14 : Earnings per share

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
Profit / (Loss) for the year	59,245	(823,661)
Shares:		
Weighted average number of equity shares outstanding during the year - Basic	50,000	50,000
Weighted average number of equity shares outstanding during the year - Diluted	50,000	50,000
Basic Earnings/(Loss) in ` per share	1,184.89	(16,473.22)
Diluted Earnings/(Loss) in ` per share	1,184.89	(16,473.22)

2.15 : Related party transactions

a. The Company has following related party transactions:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
i. Licence fees from holding company:		
Dr. Reddy's Laboratories Limited	136,757	-
ii. Interest payable to holding company:		
Dr. Reddy's Laboratories Limited	42,628	49,021

b. The Company has following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due from holding company (included in trade receivables):		
Dr. Reddy's Laboratories Limited	111,757	-
ii. Due to holding company (included in long term borrowings):		
Dr. Reddy's Laboratories Limited	2,045,357	2,592,869

DRL Impex Limited
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.16 : Comparative figures

Previous year's figures have been regrouped / reclassified wherever necessary, to conform to current year presentation.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the **Board of Directors**

Saumen Chakraborty

Director

A Ramachandra Rao

Partner

Membership No. 9750

Raghu Cidambi

Director

Place: Hyderabad

Date: 9 May 2014

Euro Bridge Consulting B.V.

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in thousands)

Particulars	31 March 2014	31 March 2013
Loss for the year after taxation	(1,851)	(4,266)
Balance brought forward	(8,862)	(4,596)
Balance carried forward to balance sheet	(10,713)	(8,862)

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of loss of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Place: Hyderabad
Date: 9 May 2014

M V Ramana
Director

Auditors' Report

To
**The Members of
Euro Bridge Consulting B.V.**

We have audited the accompanying financial statements of **Euro Bridge Consulting B.V.**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

Euro Bridge Consulting B.V.
Balance Sheet

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	36,985	36,985
Reserves and surplus	2.2	111,806	113,657
		<u>148,791</u>	<u>150,642</u>
Non current liabilities			
Long term borrowings	2.3	2,328	1,932
		<u>2,328</u>	<u>1,932</u>
Current liabilities			
Other current liabilities	2.4	990	965
		<u>990</u>	<u>965</u>
	TOTAL	<u>152,109</u>	<u>153,539</u>
ASSETS			
Non current assets			
Non current investments	2.5	152,052	152,052
		<u>152,052</u>	<u>152,052</u>
Current assets			
Cash and bank balances	2.6	57	1,487
		<u>57</u>	<u>1,487</u>
	TOTAL	<u>152,109</u>	<u>153,539</u>

Significant accounting policies 1
The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao
Partner
Membership No. 9750

M V Ramana
Director

Place: Hyderabad
Date: 9 May 2014

Euro Bridge Consulting B.V.
Statement of Profit and Loss

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Other income	2.7	-	175
Total revenue		<u>-</u>	<u>175</u>
Expenses			
Other expenses	2.8	1,851	4,441
Total expenses		<u>1,851</u>	<u>4,441</u>
Loss before tax		(1,851)	(4,266)
Tax expense		-	-
Loss for the year		<u>(1,851)</u>	<u>(4,266)</u>

Significant accounting policies 1
The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the **Board of Directors**

A Ramachandra Rao
Partner
Membership No. 9750

M V Ramana
Director

Place: Hyderabad
Date: 9 May 2014

Euro Bridge Consulting B.V.
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) *Basis of preparation of financial statements*

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“IGAAP”) under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) *Use of estimates*

The preparation of the financial statements in conformity with IGAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) *Current and non-current classification*

All the assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) *Investments*

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as non-current investments.

Non-current investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment. The reduction in the carrying amount is reversed when there is a rise in the value of the investment or if the reasons for the reduction no longer exist. Any reduction in the carrying amount and any reversal in such reductions are charged or credited to the statement of profit and loss.

e) *Foreign currency transactions and balances*

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

f) *Provisions, contingent liabilities and contingent assets*

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Euro Bridge Consulting B.V.
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
100,000 (previous year : 100,000) equity shares of Euro 10 each	55,863	55,863
Issued		
56,200 (previous year : 56,200) equity shares of Euro 10 each	36,985	36,985
Subscribed and paid-up		
56,200 (previous year : 56,200) equity shares of Euro 10 each	36,985	36,985
	36,985	36,985

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	56,200	36,985	56,200	36,985
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	56,200	36,985	56,200	36,985

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of Euro 10 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Reddy Antilles N.V.	56,200	100	56,200	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Securities premium reserve		
Balance at the beginning of the year	122,519	122,519
Movement during the year	-	-
	122,519	122,519
Deficit		
Balance at the beginning of the year	(8,862)	(4,596)
Add: Current year loss	(1,851)	(4,266)
Balance carried forward	(10,713)	(8,862)
	111,806	113,657

Euro Bridge Consulting B.V.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.3 : Long term borrowings

	As at 31 March 2014	As at 31 March 2013
Long term borrowings from holding company and other group companies	2,328	1,932
	<u>2,328</u>	<u>1,932</u>

2.4 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Other current liabilities	990	965
	<u>990</u>	<u>965</u>

2.5 : Non current investments

	As at 31 March 2014	As at 31 March 2013
Non current investments at cost		
<i>In Subsidiary Companies</i>		
OOO DRS LLC	152,052	152,052
	<u>152,052</u>	<u>152,052</u>

2.6 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Bank balances		
In current accounts	57	1,487
	<u>57</u>	<u>1,487</u>

2.7 : Other income

	For the year ended 31 March 2014	For the year ended 31 March 2013
Foreign exchnage gain, net	-	175
	<u>-</u>	<u>175</u>

2.8 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Legal and professional	1,538	376
Foreign exchnage loss, net	291	-
Other general expenses	22	4,065
	<u>1,851</u>	<u>4,441</u>

Euro Bridge Consulting B.V.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.9 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.10 : Related party disclosures

The Company has following amounts due from / to related parties:

Particulars	As at	As at
	31 March 2014	31 March 2013
i. Due to holding company and other group companies (included in long term borrowings):		
Reddy Antilles N.V.	2,328	1,932

2.11 : Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.12 : The Company, incorporated under the laws of Netherlands, is a 100% subsidiary of Reddy Antilles N.V.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for **and on behalf of the Board of Directors**

M V Ramana

Director

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

Idea2Enterprises (India) Pvt. Limited

Directors' Report

Dear Members,

Your Directors present the 14th Annual Report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in thousands)

Particulars	31 March 2014	31 March 2013
Loss for the period after taxation	(3)	(2)
Balance brought forward	(14,164)	(14,162)
Balance carried forward to balance sheet	(14,167)	(14,164)

Operations

The Company did not have any operations during the year.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2014.

Share capital

During the year under review, there was no change in the share capital of the Company.

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of loss of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Directors

Mr. G V Prasad, retires by rotation at the ensuing Annual General Meeting scheduled on July 28 2014 and being eligible seeks re-appointment. Your Directors recommend his re-appointment for your approval at the ensuing AGM.

Auditors

The Statutory Auditors of the Company M/s. A. Ramachandra Rao & Co., Chartered Accountants, retire at the ensuing 14th Annual General Meeting and have confirmed their eligibility and willingness to accept office of auditors, if re-appointed. The Board of Directors recommend the re-appointment of M/s. A. Ramachandra Rao & Co., Chartered Accountants as Statutory Auditors of the Company for the financial year 2014-15 for shareholder's approval.

Idea2Enterprises (India) Pvt. Limited

Directors' Report

Compliance Certificate

Pursuant to the provisions of Section 383A of the Companies Act, 1956, a certificate has been obtained from a Company Secretary in whole time practice with regard to compliance with the provisions of the Companies Act, 1956.

Particulars of Employees

There are no employees who are drawing salary more than the amount as specified under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended from time to time. Hence the relevant provisions are not applicable to your Company.

Conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, research and development technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your directors place on record their sincere appreciation for support and co-operation extended by all the concerned to the Company during the year.

for and on behalf of the Board of Directors

G V Prasad
Director

Place: Hyderabad
Date: 9 May 2014

Satish Reddy
Director

Independent Auditors' Report

To
**The Members of
Idea2 Enterprises (India) Private Limited**

We have audited the accompanying financial statements of **Idea2 Enterprises (India) Private Limited** which comprise the Balance Sheet as at 31 March 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date; and
- (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

As required by section 227(3) of the Act, we report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.

- c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
- e) on the basis of written representations received from the directors as on 31 March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

for **A.Ramachandra Rao & Co**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No. : 9750

Place: Hyderabad
Date: 9 May 2014

ANNEXURE TO THE AUDITORS' REPORT

Re: Idea2 Enterprises (India) Private Limited

- i. a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
b) All the Fixed Assets have not been physically verified by the management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets and to the best of our knowledge no material discrepancies were noticed on such verification;
c) In our opinion, the Company has not disposed off substantial part of fixed assets during the year and the going concern status of the Company is not affected.
- ii. The company does not have any inventories and hence, in our opinion, clauses 4(ii)(a) to (c) are not applicable to the company.
- iii. Based on the information and explanations provided to us, the company has not granted or taken any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained u/s 301 of the Act during the year. Accordingly the sub-clauses (b),(c),(d) of clause 4(iii) are not applicable for the year.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the company and the nature of its business. The activities of the Company do not involve purchase of inventory and sale of goods. During the course of our audit, we have not observed any major weaknesses in internal control system.
- v. In our opinion, and according to the information and explanations given to us, we are of the opinion that the company has not entered into any transactions that need to be entered into the register maintained under section 301 of the companies act 1956 and hence the Sub clause (v) is not applicable to the company for the year.
- vi. Based on the information provided to us, in our opinion, the Company has not accepted any Deposits from the public during the year and hence, in our opinion, the Clause 4(vi) is not applicable to the company for the year;
- vii. In our opinion, the company has an internal audit system to commensurate with its size and nature of its business.
- viii. We are of the opinion, based on the information provided to us, that the Central Government has not prescribed any accounts and records, which are required to be maintained under section 209(1)(d) of the Act.
- ix. (a) According to the records of the company, the company is regular in depositing the undisputed statutory dues including Sales tax, Income-tax, Customs duty, Excise duty and Employees State Insurance and Provident Fund and cess, investor education fund with the appropriate authorities. We have been informed that the provisions of Employees state Insurance, Wealth tax and excise duty are not applicable to the company.
(b) According to the information and explanations given to us, there are no dues of sales tax/income tax/ customs duty/Wealth tax /excise duty/cess to be deposited on account of any dispute;
c) Further, since the Central Government has till date not prescribed the amount of cess payable under section 441A of the companies act 1956,we are not in a position to comment upon the regulatory or otherwise of the company in depositing the same.
- x. In our opinion the accumulated losses of the company are not more than fifty percent of its net worth. The company has incurred cash losses during the financial year covered by our audit and immediately preceding the financial year.
- xi. Based on the information provided and explanation given to us, the company has not taken any loans from banks and hence the clause 4(xi) is not applicable to the company for the year.
- xii. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the company on the basis of security by way of pledge of shares, debentures and other securities.

- xiii. In our opinion, the Company is not a Chit fund or Nidhi / Mutual Benefit Fund / Society and hence clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
- xiv. Based on the information given to us, the Company has not dealt or traded in shares, securities, debentures or other investments during the year.
- xv. Based on the information provided to us, the Company has not given guarantees for loans taken by others from Banks or Financial Institutions.
- xvi. According to the information and explanations given to us, the company has not obtained any term loans during the year and hence clause 4(xvi) of the order is not applicable to the company.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we are of the opinion that the Company has no short-term sources of funds. Thus, paragraph 4(xvii) of the order is not applicable.
- xviii. Based on the information provided and explanations offered, during the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained u/s 301 of the Companies Act 1956 and hence sub clause (xvii) of the order is not applicable to the company for the year.
- xix. The Company has not issued any debentures and not created any securities or charges in respect of any debentures.
- xx. The Company has not raised any money by way of Public Issue during the year.
- xxi. In our opinion and according to the information provided and explanations offered to us, no fraud on or by the Company has been noticed or reported during the year.

for **A.Ramachandra Rao & Co**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No. : 9750

Place: Hyderabad
Date: 9 May 2014

Idea2 Enterprises (India) Private Limited**Balance Sheet**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	23,778	23,778
Reserves and surplus	2.2	1,422,797	1,422,800
		1,446,575	1,446,578
Current liabilities			
Other current liabilities	2.3	3,615	3,615
Short term provisions	2.4	13	13
		3,628	3,628
	TOTAL	1,450,203	1,450,206
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	1,449,989	1,449,989
		1,449,989	1,449,989
Current assets			
Cash and bank balances	2.6	213	216
Short term loans and advances	2.7	1	1
		214	217
	TOTAL	1,450,203	1,450,206

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao

Partner

Membership No. 9750

G V Prasad

Director

Place: Hyderabad

Date: 9 May 2014

Satish Reddy

Director

Idea2 Enterprises (India) Private Limited**Statement of Profit and Loss**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Other income	2.8	8	9
Total revenue		<u>8</u>	<u>9</u>
Expenses			
Other expenses	2.9	11	11
Total expenses		<u>11</u>	<u>11</u>
Loss before tax		(3)	(2)
Tax expense		-	-
Loss for the year		<u>(3)</u>	<u>(2)</u>
Earnings per share	2.11		
Basic - Par value ` 10/- per share		(0.001)	(0.001)
Diluted - Par value ` 10/- per share		(0.001)	(0.001)
Number of shares used in computing earnings per share			
Basic		2,377,826	2,377,826
Diluted		2,377,826	2,377,826

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.***Chartered Accountants*

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

G V Prasad

Director

Satish Reddy

Director

Idea2 Enterprises (India) Private Limited**Cash Flow Statement**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	For the year ended 31 March 2014	For the year ended 31 March 2013
Cash flow from operating activities		
Loss for the year	(3)	(2)
Adjustments:		
Interest income	(8)	(9)
Operating profit before working capital changes	<u>(11)</u>	<u>(11)</u>
<i>Changes in operating assets and liabilities</i>	-	-
Cash generated from Operations	<u>(11)</u>	<u>(11)</u>
Less: Income tax paid	-	-
Net cash used in operating activities	<u><u>(11)</u></u>	<u><u>(11)</u></u>
Cash flows from/(used in) investing activities		
Interest received	8	9
Net cash from investing activities	<u><u>8</u></u>	<u><u>9</u></u>
Cash flows from/(used in) financing activities	-	-
Net increase/(decrease) in cash & bank balances	<u>(3)</u>	<u>(2)</u>
Cash & bank balances at the beginning of the year	<u>216</u>	<u>218</u>
Cash & bank balances at the end of the year	<u><u>213</u></u>	<u><u>216</u></u>

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN No.: 002857S

for and on behalf of the Board of Directors

G V Prasad

Director

A Ramachandra Rao

Partner

Membership No.: 9750

Satish Reddy

Director

Place: Hyderabad

Date: 9 May 2014

Idea2 Enterprises (India) Private Limited

Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“IGAAP”) under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Land is not depreciated.

e) Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

f) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

g) Earnings per share

The basic earnings per share (“EPS”) is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares, if any.

Idea2 Enterprises (India) Private Limited

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
2,500,000 (previous year : 2,500,000) equity shares of ` 10/- each	25,000	25,000
	<u>25,000</u>	<u>25,000</u>
Issued		
2,377,826 (previous year : 2,377,826) equity shares of ` 10/- each fully paid up	23,778	23,778
	<u>23,778</u>	<u>23,778</u>
Subscribed and paid-up		
2,377,826 (previous year : 2,377,826) equity shares of ` 10/- each fully paid up	23,778	23,778
	<u>23,778</u>	<u>23,778</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	2,377,826	23,778	2,377,826	23,778
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	2,377,826	23,778	2,377,826	23,778

(b) Terms/rights attached to shares

The company has only one class of equity share having a par value of ` 10/- per share . Each holder of equity share is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
Dr. Reddy's Laboratories Limited (including shares held by nominees)	2,377,826	100	2,377,826	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Revaluation reserve		
Balance at the beginning of the year	1,436,964	1,436,964
Movement during the year	-	-
	<u>1,436,964</u>	<u>1,436,964</u>
Deficit		
Balance at the beginning of the year	(14,164)	(14,162)
Add: Current year loss	(3)	(2)
Balance carried forward	<u>(14,167)</u>	<u>(14,164)</u>
	<u>1,422,797</u>	<u>1,422,800</u>

Idea2 Enterprises (India) Private Limited

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.3 Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Due to holding company	3,600	3,600
Others	15	15
	<u>3,615</u>	<u>3,615</u>

2.4 : Short term provisions

	As at 31 March 2014	As at 31 March 2013
Provision for tax	13	13
	<u>13</u>	<u>13</u>

Idea2 Enterprises (India) Private Limited

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.5 : Fixed assets

Description	Gross Block				Depreciation				Net Block	
	As at 01.04.2013	Additions	Deletions	As at 31.03.2014	As at 01.04.2013	For the year	Deletions	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Land	1,449,989	-	-	1,449,989	-	-	-	-	1,449,989	1,449,989
Total tangible assets	1,449,989	-	-	1,449,989	-	-	-	-	1,449,989	1,449,989
Previous year	1,449,989	-	-	1,449,989	-	-	-	-	1,449,989	

Idea2 Enterprises (India) Private Limited
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.6 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Bank balances		
In current accounts	213	216
	213	216

2.7: Short-term loans and advances

	As at 31 March 2014	As at 31 March 2013
TDS receivable	1	1
	1	1

2.8: Other income

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest income	8	9
	8	9

2.9 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Auditors' remuneration	11	11
	11	11

2.10 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.11 : Earnings per share

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
Loss for the year	(3)	(2)
Shares:		
Weighted average number of equity shares outstanding during the year - Basic	2,377,826	2,377,826
Weighted average number of equity shares outstanding during the year - Diluted	2,377,826	2,377,826
Basic Earnings/(Loss) in ` per share	(0.001)	(0.001)
Diluted Earnings/(Loss) in ` per share	(0.001)	(0.001)

2.12 : Related Party Transaction

The Company has following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due to holding company (included in other current liabilities):		
Dr. Reddy's Laboratories Limited	3,600	3,600

Idea2 Enterprises (India) Private Limited
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.13 : Comparative Figures

Previous year's figures have been regrouped / reclassified wherever necessary, to conform to current year presentation.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for **and on behalf of the Board of Directors**

G V Prasad

Director

Satish Reddy

Director

Industrias Quimicas Falcon De Mexico S.A. de C.V.

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in lakhs)

Particulars	31 March 2014	31 March 2013
Loss for the year after taxation	(3,568)	(1,992)
Balance brought forward	(4,358)	(2,366)
Balance carried forward to balance sheet	(7,926)	(4,358)

Directors

Company. Mr. Satish Reddy, Mr. Saumen Chakraborty and Mr. V V Parsuram have been appointed on the Board of Directors of the Company.

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of loss of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

R Ananthanarayanan

Director

Place: Hyderabad

Date: 9 May 2014

KVS Ram Rao

Director

Auditors' Report

To
The Members of
Industrias Quimicas Falcon De Mexico S.A. de C.V.

We have audited the accompanying financial statements of **Industrias Quimicas Falcon De Mexico S.A. de C.V.**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

Industrias Quimicas Falcon De Mexico S.A. de C.V.

Balance Sheet

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	5,939	5,939
Reserves and surplus	2.2	(8,159)	(4,733)
		<u>(2,220)</u>	<u>1,206</u>
Non current liabilities			
Long term borrowings	2.3	21,840	-
		<u>21,840</u>	<u>-</u>
Current liabilities			
Short term borrowings	2.3	-	18,481
Trade payables	2.4	15,374	10,977
Other current liabilities	2.5	3,224	2,625
Short term provisions	2.6	1,809	2,106
		<u>20,407</u>	<u>34,189</u>
	TOTAL	<u>40,027</u>	<u>35,395</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	13,170	12,856
Capital work-in-progress		280	728
Deferred tax assets, net	2.19	2,569	1,958
Long term loans and advances	2.8	25	1,019
		<u>16,044</u>	<u>16,561</u>
Current assets			
Inventories	2.9	6,900	6,937
Trade receivables	2.10	10,639	6,619
Cash and bank balances	2.11	1,088	1,848
Short term loans and advances	2.12	5,356	3,055
Other current assets	2.13	-	375
		<u>23,983</u>	<u>18,834</u>
	TOTAL	<u>40,027</u>	<u>35,395</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the **Board of Directors**

R Ananthanarayanan

Director

KVS Ram Rao

Director

Industrias Quimicas Falcon De Mexico S.A. de C.V.**Statement of Profit and Loss**

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Sales, net		34,556	28,945
Other operating revenues		569	1,021
Revenue from operations		35,125	29,966
Other income	2.14	3	116
Total revenue		35,128	30,082
Expenses			
Cost of material consumed (including packing material consumed)		19,407	14,096
Changes in inventories of finished goods and work-in-progress	2.15	(614)	1,126
Conversion charges		1,055	976
Research and development expenses		57	-
Employee benefits expense	2.16	6,939	7,362
Finance costs		1,141	1,294
Depreciation expense	2.7	1,307	1,157
Other expenses	2.18	9,430	6,147
Total expenses		38,722	32,159
Loss before tax		(3,594)	(2,077)
Tax expense			
Current tax		494	(190)
Deferred tax (benefit) / expense		(520)	105
Loss for the year		(3,568)	(1,992)

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

*for A Ramachandra Rao & Co.**Chartered Accountants*

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

R Ananthanarayanan

Director

KVS Ram Rao

Director

Industrias Quimicas Falcon De Mexico S.A. de C.V.

Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("IGAAP") under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

Assets:

An asset is classified as current when it satisfies any of the following criteria:

- a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is expected to be realised within 12 months after the reporting date; or
- d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Liabilities:

A liability is classified as current when it satisfies any of the following criteria:

- a) it is expected to be settled in the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is due to be settled within 12 months after the reporting date; or
- d) the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets/ liabilities include the current portion of non-current financial assets/ liabilities respectively. All other assets/ liabilities are classified as non-current.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Subsequent expenditure related to an item of tangible fixed asset is capitalised only if it increases the future benefits from the existing assets beyond its previously assessed standards of performance.

Advances paid towards acquisition of tangible fixed assets outstanding at each balance sheet date are shown under long-term loans and advances. Cost of assets not ready for intended use, as on the balance sheet date, is shown as capital work-in-progress.

Industrias Quimicas Falcon De Mexico S.A. de C.V.

Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

d) *Tangible assets and depreciation (continued)*

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ` 5,000/- are depreciated in full in the year of acquisition. Assets acquired on finance leases are depreciated over the period of the lease agreement or the useful life whichever is shorter. Leasehold improvements are depreciated over their estimated useful life, or the remaining period of lease, whichever is shorter.

Land is not depreciated.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Buildings	25 to 40
Plant and machinery	10 to 15
Furniture, fixtures and office equipment	3 to 10
Vehicles	4 to 5

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Gains or losses from disposal of tangible fixed assets are recognised in the statement of profit and loss.

e) *Inventories*

Inventories are valued at the lower of cost and net realisable value. Net realisable value (NRV) is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of all categories of inventory is determined using weighted average cost method.

f) *Employee benefits*

Defined contribution plans

The company's contributions to defined contribution plans are charged to statement of profit and loss as and when the services are received from the employees.

g) *Foreign currency transactions and balances*

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

h) *Revenue recognition*

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is reasonably certain, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenue from the sale of goods is net of returns, sales tax and applicable trade discounts and allowances.

Sales returns

The Company accounts for sales returns by recording an allowance for sales returns concurrent with the recognition of revenue at the time of a product sale. This allowance is based on the Company's estimate of expected sales returns.

Industrias Quimicas Falcon De Mexico S.A. de C.V.

Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

h) Revenue recognition (continued)

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

i) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed at each balance sheet date and are written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Offsetting

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis.

j) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Industrias Quimicas Falcon De Mexico S.A. de C.V.

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
140,526,270 pesos (Previous year : 140,526,270 pesos) *	<u>5,939</u>	<u>5,939</u>
Issued		
140,526,270 pesos (Previous year : 140,526,270 pesos) *	<u>5,939</u>	<u>5,939</u>
Subscribed and paid-up		
140,526,270 pesos (Previous year : 140,526,270 pesos) *	<u>5,939</u>	<u>5,939</u>
	<u>5,939</u>	<u>5,939</u>

* No concept of nature and number of shares in this company

Details of shareholders holding more than 5% shares capital in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	Amount in Pesos ('lakhs)	% of equity shares	Amount in Pesos ('lakhs)	% of equity shares
Dr. Reddy's Laboratories Limited	1,405	100	1,405	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Foreign currency translation reserve		
Balance at the beginning of the year	(375)	(482)
Movement during the year	<u>142</u>	<u>107</u>
	<u>(233)</u>	<u>(375)</u>
Deficit		
Balance at the beginning of the year	(4,358)	(2,366)
Add: Current year loss	<u>(3,568)</u>	<u>(1,992)</u>
Balance carried forward	<u>(7,926)</u>	<u>(4,358)</u>
	<u>(8,159)</u>	<u>(4,733)</u>

2.3 : Borrowings

	As at 31 March 2014	As at 31 March 2013
a) Long term borrowings		
<i>Unsecured</i>		
Borrowings from holding company and other group companies	<u>21,840</u>	<u>-</u>
	<u>21,840</u>	<u>-</u>
b) Short term borrowings		
<i>Unsecured</i>		
Borrowings from holding company and other group companies	<u>-</u>	<u>18,481</u>
	<u>-</u>	<u>18,481</u>

2.4 : Trade payables

	As at 31 March 2014	As at 31 March 2013
Payables to holding company and other group companies	14,494	9,484
Payables to others	<u>880</u>	<u>1,493</u>
	<u>15,374</u>	<u>10,977</u>

Industrias Quimicas Falcon De Mexico S.A. de C.V.**Notes to Financial Statements**

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.5 : Other current liabilities**

	As at 31 March 2014	As at 31 March 2013
Due to capital creditors	205	259
Due to holding company and other group companies	84	95
Accrued expenses	587	680
Salary and bonus payable	76	90
Others	2,272	1,501
	<u>3,224</u>	<u>2,625</u>

2.6 : Short term provisions

	As at 31 March 2014	As at 31 March 2013
Income tax payable	75	-
Provision for employee benefits	1,734	2,106
	<u>1,809</u>	<u>2,106</u>

Industrias Quimicas Falcon De Mexico S.A. de C.V.

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.7 : Fixed assets

Description	Gross Block					Depreciation					Net Block	
	As at 01.04.2013	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 01.04.2013	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Land	3,632	-	-	169	3,801	-	-	-	-	-	3,801	3,632
Building	1,929	-	-	85	2,014	654	95	-	27	776	1,238	1,274
Plant and machinery	12,649	837	-	556	14,042	5,325	995	-	237	6,557	7,485	7,324
Furniture and fixtures	758	-	-	30	788	546	59	-	9	614	174	212
Vehicles	278	70	26	12	334	80	54	21	4	117	217	198
Office equipment	489	133	23	22	621	273	104	22	11	366	255	216
Total	19,734	1,040	49	874	21,600	6,878	1,307	43	288	8,430	13,170	12,856
Previous year	16,711	1,344	89	1,769	19,734	5,195	1,157	39	565	6,878	12,856	

Industrias Quimicas Falcon De Mexico S.A. de C.V.

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.8 : Long term loans and advances

(Unsecured)	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Capital advances for purchase of fixed assets	15	4
Advance tax, net of provision for income taxes	-	1,014
Security deposits	10	1
	<u>25</u>	<u>1,019</u>

2.9 : Inventories

(Valued on weighted average basis)

	As at 31 March 2014	As at 31 March 2013
Raw materials	4,050	4,357
Work-in-progress	2,068	1,454
Stores and spares	675	1,088
Packing materials	107	38
	<u>6,900</u>	<u>6,937</u>

2.10 : Trade receivables

(Unsecured)	As at 31 March 2014	As at 31 March 2013
Debts outstanding for a period exceeding six months		
Considered good	259	-
Considered doubtful	2	-
Other debts		
Considered good	10,380	6,619
	<u>10,641</u>	<u>6,619</u>
<i>Less : Provision for doubtful debts</i>	<u>(2)</u>	<u>-</u>
	<u>10,639</u>	<u>6,619</u>

2.11 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Cash on hand	1	2
Bank balances		
In current accounts	1,087	1,846
	<u>1,088</u>	<u>1,848</u>

2.12 : Short term loans and advances

(Unsecured)	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Advances to material suppliers	882	780
Staff loans and advances	33	4
Balances with statutory agencies	4,006	1,860
Prepaid expenses	434	410
Other advances	1	1
	<u>5,356</u>	<u>3,055</u>

2.13 : Other current assets

	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Other current assets	-	375
	<u>-</u>	<u>375</u>

Industrias Quimicas Falcon De Mexico S.A. de C.V.
Notes to Financial Statements
(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.14 : Other income

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest income	1	3
Profit on sale of fixed assets, net	2	-
Foreign exchange gain, net	-	113
	<u>3</u>	<u>116</u>

2.15 : Changes in inventories of finished goods and work-in-progress

	For the year ended 31 March 2014	For the year ended 31 March 2013
<i>Opening</i>		
Work-in-progress	1,454	1,975
Finished goods	-	605
	<u>1,454</u>	<u>2,580</u>
<i>Closing</i>		
Work-in-progress	2,068	1,454
	<u>2,068</u>	<u>1,454</u>
<i>Net (increase)/ decrease</i>	<u>(614)</u>	<u>1,126</u>

2.16 : Employee benefits expense

	For the year ended 31 March 2014	For the year ended 31 March 2013
Salaries, wages and bonus	6,471	7,083
Contribution to provident and other funds	30	22
Staff welfare expenses	438	257
	<u>6,939</u>	<u>7,362</u>

2.17 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Consumption of Stores and spare parts	890	625
Legal and professional	301	322
Carriage outward	303	114
Rates and taxes	101	71
Commision on sales	14	14
Selling expenses	15	147
Repairs and maintenance		
Buildings	-	3
Plant and machinery	1,285	1,085
Others	905	503
Power and fuel	2,558	2,488
Travelling and conveyance	113	85
Rent	15	14
Insurance	146	128
Foreign exchange loss, net	1,448	-
Auditors' remuneration	28	24
Provision on advances and receivables	2	-
Loss on sale of fixed assets, net	-	1
Other general expenses	1,306	523
	<u>9,430</u>	<u>6,147</u>

Industrias Quimicas Falcon De Mexico S.A. de C.V.

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.18 : Commitments and contingent liabilities

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) as on 31 March 2014 is ` 255 (previous year: ` 47).

2.19 : Deferred taxation

Deferred tax asset, net included in the balance sheet comprises the following:

Particulars	As at 31 March 2014	As at 31 March 2013
Deferred tax assets / (liabilities)		
Trade receivables	158	151
Current assets	173	182
Current liabilities	724	557
Inventories	1,104	1,057
Fixed assets	(647)	(657)
Loss carry forward	1,057	668
Deferred tax asset, net	2,569	1,958

2.20 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
i. Operating expense paid / payable to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	41	-
ii. Interest paid / payable to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	743	1,261
Dr. Reddy's Laboratories Inc.	-	35
Dr. Reddy's Laboratories SA	398	-
iii. Sales and services rendered to holding company and other group companies:		
Dr. Reddy's Laboratories (EU) Limited	116	387
Dr. Reddy's Laboratories Inc.	1,759	4,501
Dr. Reddy's Laboratories SA	20,935	12,622
Dr. Reddy's Laboratories Limited	103	-
Dr. Reddy's Laboratories (UK) Limited	108	-
iv. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	11,423	5,158
Dr. Reddy's Laboratories (EU) Limited	10	571
Dr. Reddy's Laboratories SA	98	2

Industrias Quimicas Falcon De Mexico S.A. de C.V.**Notes to Financial Statements**

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

b. The Company has the following amounts due from / to related parties:

Particulars	As at	As at
	31 March 2014	31 March 2013
i. Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's Laboratories Inc.	709	1,268
Dr. Reddy's Laboratories SA	5,330	2,009
Dr. Reddy's Laboratories (EU) Limited	111	-
ii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	14,494	9,482
Dr. Reddy's Laboratories SA	-	2
iii. Due to holding company and other group companies (included in borrowings and other liabilities):		
Dr. Reddy's Laboratories Limited	21,880	18,531
Dr. Reddy's Laboratories Inc.	-	2
Dr. Reddy's Laboratories (EU) Limited	44	43

2.21 : Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.22 : The Company, incorporated in Mexico, is a 100% subsidiary of Dr. Reddy's Laboratories Limited.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

R Ananthanarayanan

Director

A Ramachandra Rao

Partner

Membership No. 9750

KVS Ram Rao

Director

Place: Hyderabad

Date: 9 May 2014

Kunshan Rotam Reddy Pharmaceuticals Co. Ltd.

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in lakhs)

Particulars	31 March 2014	31 March 2013
Profit for the year after taxation	3,890	1,804
Balance brought forward	(1,993)	(3,797)
Balance carried forward to balance sheet	1,897	(1,993)

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of profit of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2014

Abhijeet Mukherjee
Director

Auditors' Report

To
The Members of
Kunshan Rotam Reddy Pharmaceuticals Co. Ltd.

We have audited the accompanying financial statements of **Kunshan Rotam Reddy Pharmaceuticals Co. Ltd.**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the profit for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

Kunshan Rotam Reddy Pharmaceuticals Co. Ltd.**Balance Sheet**

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	7,905	7,905
Reserves and surplus	2.2	3,813	(724)
		11,718	7,181
Current liabilities			
Trade payables	2.3	5,324	2,595
Other current liabilities	2.4	3,684	2,940
		9,008	5,535
	TOTAL	20,726	12,716
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	2,834	2,541
Intangible assets	2.5	101	82
Capital work-in-progress		125	94
Deferred tax assets, net	2.18	32	138
Long term loans and advances	2.6	836	223
		3,928	3,078
Current assets			
Inventories	2.7	3,800	2,419
Trade receivables	2.8	4,213	3,119
Cash and bank balances	2.9	5,275	2,453
Short term loans and advances	2.10	1,951	397
Other current assets	2.11	1,559	1,250
		16,798	9,638
	TOTAL	20,726	12,716

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Satish Reddy

Director

Abhijeet Mukherjee

Director

Kunshan Rotam Reddy Pharmaceuticals Co. Ltd.
Statement of Profit and Loss

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Sales, net		27,812	19,154
Other operating revenues		114	97
Revenue from operations		27,926	19,251
Other income	2.12	64	12
Total revenue		27,990	19,263
Expenses			
Cost of material consumed (including packing material consumed)		8,443	4,698
Changes in inventories of finished goods and work-in-progress	2.13	(2,177)	(197)
Employee benefits expense	2.14	6,073	4,412
Finance costs	2.15	-	41
Depreciation and amortization expense	2.5	361	177
Research and development		197	163
Other expenses	2.16	10,419	7,860
Total expenses		23,316	17,154
Profit before tax		4,674	2,110
Tax expense			
Current tax		661	311
Deferred tax expense / (benefit)		123	(4)
Profit for the year		3,890	1,804

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Satish Reddy

Director

Abhijeet Mukherjee

Director

Kunshan Rotam Reddy Pharmaceuticals Co. Ltd.

Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“IGAAP”) under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Subsequent expenditure related to an item of tangible fixed asset is capitalised only if it increases the future benefits from the existing assets beyond its previously assessed standards of performance.

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ` 5,000/- are depreciated in full in the year of acquisition.

Land is not depreciated.

Management’s estimates of the useful lives for various categories of fixed assets are given below:

	Years
Buildings	20
Plant and machinery	10
Electrical equipment	5 to 15
Laboratory equipment	5 to 15
Office equipment	3 to 10
Vehicles	5

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Gains or losses from disposal of tangible fixed assets are recognised in the statement of profit and loss.

Kunshan Rotam Reddy Pharmaceuticals Co. Ltd.

Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

e) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition including any import duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use.

Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives, commencing from the date the asset is available to the Company for its use.

The management estimates the useful lives for the various intangible assets as follows:

	Years
Trademarks	5 to 15

The amortisation period and the amortisation method for intangible assets are reviewed at each financial year-end.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and disposal. Gains or losses arising from the disposal of intangible asset are recognised in the statement of profit and loss.

f) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value (NRV) is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of all categories of inventory is determined using weighted average cost method.

g) Research and development

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized in the statement of profit and loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if the enterprise can demonstrate all of the following:

- a. the product or the process is technically and commercially feasible;
- b. future economic benefits are probable and ascertainable;
- c. the Group intends to and has sufficient resources to complete development of the product and has the ability to use or sell the asset; and
- d. development costs can be measured reliably.

h) Employee benefits

Defined contribution plans

The company's contributions to defined contribution plans are charged to statement of profit and loss as and when the services are received from the employees.

i) Foreign currency transactions and balances

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

Kunshan Rotam Reddy Pharmaceuticals Co. Ltd.

Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

j) Revenue recognition

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is reasonably certain, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenue from the sale of goods is net of returns, sales tax and applicable trade discounts and allowances.

Sales returns

The Company accounts for sales returns by recording an allowance for sales returns concurrent with the recognition of revenue at the time of a product sale. This allowance is based on the Company's estimate of expected sales returns.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

k) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed at each balance sheet date and are written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Offsetting

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis.

l) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Kunshan Rotam Reddy Pharmaceuticals Co. Ltd.

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
USD 29,990,000 (previous year : USD 29,990,000)*	<u>12,896</u>	<u>12,896</u>
Issued		
USD 18,330,110 (previous year : USD 18,330,110)*	<u>7,905</u>	<u>7,905</u>
Subscribed and paid-up		
USD 18,330,110 (previous year : USD 18,330,110)*	<u>7,905</u>	<u>7,905</u>
	<u>7,905</u>	<u>7,905</u>

* No concept of nature and number of shares in this company.

Details of shareholders holding more than 5% shares capital in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	Amount in USD ('lakhs)	% of equity shares	Amount in USD ('lakhs)	% of equity shares
Dr. Reddy's Laboratories Limited	94	51.33	94	51.33
Canada Rotam Enterprises	87	47.72	87	47.72

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Foreign currency translation reserve		
Balance at the beginning of the year	1,269	851
Movement during the year	<u>647</u>	<u>418</u>
	<u>1,916</u>	<u>1,269</u>
Surplus / (Deficit)		
Balance at the beginning of the year	(1,993)	(3,797)
Add: Current year profit	<u>3,890</u>	<u>1,804</u>
Balance carried forward	<u>1,897</u>	<u>(1,993)</u>
	<u>3,813</u>	<u>(724)</u>

2.3 : Trade payables

	As at 31 March 2014	As at 31 March 2013
Trade payable	<u>5,324</u>	<u>2,595</u>
	<u>5,324</u>	<u>2,595</u>

2.4 : Other liabilities

	As at 31 March 2014	As at 31 March 2013
Other current liabilities	<u>3,684</u>	<u>2,940</u>
	<u>3,684</u>	<u>2,940</u>

Kunshan Rotam Reddy Pharmaceuticals Co. Ltd.

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.5 : Fixed assets

Description	Gross Block					Depreciation / Amortisation					Net Block	
	As at 01.04.2013	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 01.04.2013	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Land	484	-	-	54	538	160	-	-	-	160	378	324
Vehicles	99	-	-	5	104	76	15	-	2	93	11	23
Building	2,892	135	109	326	3,244	1,364	177	54	179	1,666	1,578	1,528
Plant and machinery	898	126	87	122	1,059	548	77	67	83	641	418	350
Laboratory equipment	634	155	36	61	814	387	50	30	47	454	361	247
Office equipment	274	15	-	13	302	205	3	-	6	213	89	69
Total tangible assets (A)	5,282	431	232	581	6,061	2,741	322	151	317	3,228	2,834	2,541
Trademarks	132	51	68	10	125	50	39	67	2	24	101	82
Total intangible assets (B)	132	51	68	10	125	50	39	67	2	24	101	82
Total (A+B)	5,414	482	300	591	6,186	2,791	361	218	319	3,252	2,935	2,623
Previous year	4,308	700	57	463	5,414	2,330	177	34	416	2,791	2,623	

Kunshan Rotam Reddy Pharmaceuticals Co. Ltd.

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.6 : Long term loans and advances

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
<i>Considered good</i>		
Advance tax, net of provision for income taxes	836	220
Security deposits	-	3
	<u>836</u>	<u>223</u>

2.7 : Inventories

(Valued on weighted average basis)

	As at 31 March 2014	As at 31 March 2013
Raw materials	449	1,260
Work-in-progress	1,369	217
Finished goods	1,910	885
Stores and spares	72	57
	<u>3,800</u>	<u>2,419</u>

2.8 : Trade receivables

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
Debts outstanding for a period exceeding six months		
<i>Considered good</i>	6	-
<i>Considered doubtful</i>	125	115
Other debts		
<i>Considered good</i>	4,207	3,119
	<u>4,338</u>	<u>3,234</u>
<i>Less : Provision for doubtful debts</i>	<u>(125)</u>	<u>(115)</u>
	<u>4,213</u>	<u>3,119</u>

2.9 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Cash on hand	1	-
Bank balances		
In current accounts	5,274	2,453
	<u>5,275</u>	<u>2,453</u>

2.10 : Short term loans and advances

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
<i>Considered good</i>		
Prepaid expenses	187	29
Other advances	1,764	368
	<u>1,951</u>	<u>397</u>

2.11 : Other current assets

	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Claims receivable	1,458	974
Other current assets	101	276
	<u>1,559</u>	<u>1,250</u>

Kunshan Rotam Reddy Pharmaceuticals Co. Ltd.

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.12 : Other income

	For the year ended 31 March 2014	For the year ended 31 March 2013
Foreign exchnage gain, net	64	12
	<u>64</u>	<u>12</u>

2.13 : Changes in inventories of finished goods and work-in-progress

	For the year ended 31 March 2014	For the year ended 31 March 2013
<i>Opening</i>		
Work-in-progress	217	212
Finished goods	885	693
	<u>1,102</u>	<u>905</u>
<i>Closing</i>		
Work-in-progress	1,369	217
Finished goods	1,910	885
	<u>3,279</u>	<u>1,102</u>
<i>Net increase</i>	<u>(2,177)</u>	<u>(197)</u>

2.14 : Employee benefits expense

	For the year ended 31 March 2014	For the year ended 31 March 2013
Salaries, wages and bonus	5,836	4,169
Contribution to provident and other funds	110	116
Staff welfare expenses	127	127
	<u>6,073</u>	<u>4,412</u>

2.15 : Finance costs

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest expenses	-	41
	<u>-</u>	<u>41</u>

2.16 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Consumption of Stores and spare parts	721	463
Legal and professional	5	24
Rates and taxes	470	325
Selling expenses	3,839	2,176
Travelling and conveyance	4,303	4,139
Communication	49	33
Insurance	21	7
Other general expenses	1,011	693
	<u>10,419</u>	<u>7,860</u>

Kunshan Rotam Reddy Pharmaceuticals Co. Ltd.

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.17 : Commitments and contingent liabilities

The value of commitments as at 31 March 2014 is ` 103 (previous year: Nil).

2.18 : Deferred taxation

Deferred tax asset, net included in the balance sheet comprises the following:

Particulars	As at	As at
	31 March 2014	31 March 2013
Deferred tax assets / (liabilities)		
Inventories	(17)	94
Current assets	15	15
Fixed Assets	34	29
Deferred tax asset, net	32	138

2.19 : Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.20 : The Company is incorporated in the People's Republic of China. Dr. Reddy's Laboratories Limited holds 51.33% of the share capital of the Company.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Satish Reddy

Director

A Ramachandra Rao

Partner

Membership No. 9750

Abhijeet Mukherjee

Director

Place: Hyderabad

Date: 9 May 2014

Lacock Holdings Limited

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in thousands)

Particulars	31 March 2014	31 March 2013
Loss for the year after taxation	(25,286,072)	(940,739)
Balance brought forward	1,040,485	1,981,224
Balance carried forward to balance sheet	(24,245,587)	1,040,485

Directors

On 13 August, 2014 Mr. Umang Vohra resigned and Mr. K. Ganesh has been appointed as a Director on the Board of Directors of the Company.

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of loss of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2014

K Ganesh
Director

Auditors' Report

To
The Members of
Lacock Holdings Limited

We have audited the accompanying financial statements of **Lacock Holdings Limited**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

Lacock Holdings Limited**Balance Sheet**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,330	1,330
Reserves and surplus	2.2	165,776	19,012,024
		167,106	19,013,354
Non current liabilities			
Long term borrowings	2.3	26,905,960	10,338,855
		26,905,960	10,338,855
Current liabilities			
Other current liabilities	2.4	1,788	3,089
Short term provisions	2.5	26,704	19,362
		28,492	22,451
	TOTAL	27,101,558	29,374,660
ASSETS			
Non current assets			
Non current investments	2.6	-	5,806,125
Long term loans and advances	2.7	27,094,129	23,557,810
		27,094,129	29,363,935
Current assets			
Cash and bank balances	2.8	7,407	10,485
Other current assets	2.9	22	240
		7,429	10,725
	TOTAL	27,101,558	29,374,660

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.***Chartered Accountants*

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Satish Reddy

Director

K Ganesh

Director

Lacock Holdings Limited
Statement of Profit and Loss

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Other income	2.10	624,705	616,450
Total revenue		<u>624,705</u>	<u>616,450</u>
Expenses			
Finance costs	2.11	402,316	306,702
Other expenses	2.12	25,460,203	1,194,917
Total expenses		<u>25,862,519</u>	<u>1,501,619</u>
Loss before tax		(25,237,814)	(885,169)
Tax expense			
Current tax		48,258	55,570
Loss for the year		<u><u>(25,286,072)</u></u>	<u><u>(940,739)</u></u>

Significant accounting policies 1
The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

A Ramachandra Rao
Partner
Membership No. 9750

Place: Hyderabad
Date: 9 May 2014

for and on behalf of the Board of Directors

Satish Reddy
Director

K Ganesh
Director

Lacock Holdings Limited
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“IGAAP”) under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Foreign currency transactions and balances

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

e) Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

f) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Offsetting

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis.

g) Investments

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as non-current investments.

Non-current investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment. The reduction in the carrying amount is reversed when there is a rise in the value of the investment or if the reasons for the reduction no longer exist. Any reduction in the carrying amount and any reversal in such reductions are charged or credited to the statement of profit and loss.

Lacock Holdings Limited
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

h) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Lacock Holdings Limited

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2 : Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
50,000 (previous year : 50,000) shares of Euro 1.71 each	4,133	4,133
Issued		
16,033 (previous year : 16,033) shares of Euro 1.71 each	1,330	1,330
Subscribed and paid-up		
16,033 (previous year : 16,033) shares of Euro 1.71 each	1,330	1,330
	1,330	1,330

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	16,033	1,330	16,033	1,330
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	16,033	1,330	16,033	1,330

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of EUR 1.71 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Dr. Reddy's Laboratories Limited	-	-	16,033	100
Dr. Reddy's Laboratories SA	16,033	100	-	-

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
<i>Foreign currency translation reserve</i>		
Balance at the beginning of the year	1,872,905	1,511,272
Movement during the year	6,393,869	361,633
	8,266,773	1,872,905
<i>Securities premium reserve</i>		
Balance at the beginning of the year	16,098,634	16,098,634
Movement during the year	45,956	-
	16,144,590	16,098,634
<i>(Deficit) / Surplus</i>		
Balance at the beginning of the year	1,040,485	1,981,224
Add: Current year loss	(25,286,072)	(940,739)
Balance carried forward	(24,245,587)	1,040,485
	165,776	19,012,024

Lacock Holdings Limited

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2 : Notes to financial statements (continued)

2.3 : Long term borrowings

	As at 31 March 2014	As at 31 March 2013
Borrowings from holding company and other group companies	26,905,960	10,338,855
	<u>26,905,960</u>	<u>10,338,855</u>

2.4 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Other current liabilities	1,788	3,089
	<u>1,788</u>	<u>3,089</u>

2.5 : Short term provisions

	As at 31 March 2014	As at 31 March 2013
Income tax payable	26,704	19,362
	<u>26,704</u>	<u>19,362</u>

2.6 : Non current investments

	As at 31 March 2014	As at 31 March 2013
Non current investments at cost		
<i>In Subsidiary Companies</i>		
Reddy Pharma Italia S.p.A	62,794	62,794
Reddy holding GmhH (a)	-	5,806,125
	<u>62,794</u>	<u>5,868,919</u>
Less: Provision for decline, other than temporary, in the value of non current investments	(62,794)	(62,794)
	<u>-</u>	<u>5,806,125</u>

(a) The Company has sold its investment in Reddy holding GmbH to Dr. Reddy's Laboratories SA during the year ended 31 March 2014.

2.7 : Long term loans and advances

	As at 31 March 2014	As at 31 March 2013
<i>Unsecured</i>		
<i>Considered good</i>		
Loan to holding company and other group companies	27,094,129	23,557,810
<i>Considered doubtful</i>		
Loan to holding company and other group companies	1,297,741	1,090,724
	<u>28,391,870</u>	<u>24,648,534</u>
Less : Provision for loan to holding company and other group companies	(1,297,741)	(1,090,724)
	<u>27,094,129</u>	<u>23,557,810</u>

2.8 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Bank balances		
In current accounts	7,407	10,485
	<u>7,407</u>	<u>10,485</u>

Lacock Holdings Limited
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2 : Notes to financial statements (continued)

2.9 : Other current assets

	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Other current assets	22	240
	<u>22</u>	<u>240</u>

2.10 : Other income

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest income	624,705	616,450
	<u>624,705</u>	<u>616,450</u>

2.11 : Finance costs

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest expenses	402,316	306,702
	<u>402,316</u>	<u>306,702</u>

2.12 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Legal and professional	1,644	4,103
Rates and taxes	-	2,870
Provision for doubtful advances	-	1,124,097
Bank charges and guarantee commission	20,611	223
Audit fees	2,421	830
Provision for other than temporary diminution in the value of non current investments	-	62,794
Loss on sale of non current investments	25,435,259	-
Other general expenses	268	-
	<u>25,460,203</u>	<u>1,194,917</u>

Lacock Holdings Limited
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.13 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.14 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
i. Interest income from holding company and other group companies:		
Reddy Holding GmbH	624,705	616,450
ii. Interest expense paid / payable to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	-	2,450
Dr. Reddy's Laboratories SA	384,311	304,315
iii. Commission on guarantee to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	20,518	-

b. The Company has the following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due to holding company and other group companies (included in long term borrowings):		
Dr. Reddy's Laboratories SA	26,905,960	10,338,855
ii. Due from holding company and other group companies (included in long term loans and advances):		
Reddy Holding GmbH	27,094,129	23,557,810
Reddy Pharma Italia S.p.A	1,297,741	1,090,724
iii. Provisions outstanding on dues from holding company and other group companies:		
Reddy Pharma Italia S.p.A	1,297,741	1,090,724

2.15 : Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.16 : The Company, incorporated in Cyprus, is a 100% subsidiary of Dr. Reddy's Laboratories SA.

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the **Board of Directors**

Satish Reddy
Director

A Ramachandra Rao
Partner
Membership No. 9750

K Ganesh
Director

Place: Hyderabad
Date: 9 May 2014

OctoPlus Development B.V.

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the period 1 April 2013 to 31 March 2014 as compared to the period 15 February 2013 to 31 March 2013:

(` in thousands)

Particulars	1 April 2013 to 31 March 2014	15 February 2013 to 31 March 2013
Profit for the period after taxation	684,856	68,294
Balance brought forward	(760,852)	(829,146)
Balance carried forward to balance sheet	(75,996)	(760,852)

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of profit of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Place: Hyderabad

Date: 9 May 2014

OctoPlus N.V.

Director

Auditors' Report

To
The Members of
OctoPlus Development B.V.

We have audited the accompanying financial statements of **OctoPlus Development B.V.**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the profit for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**

Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

OctoPlus Development B.V.**Balance Sheet**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,296	1,296
Reserves and surplus	2.2	1,147,505	371,880
		1,148,801	373,176
Non current liabilities			
Long term borrowings	2.3	6,857	8,771
		6,857	8,771
Current liabilities			
Trade payables	2.4	71,453	34,528
Other current liabilities	2.5	936,502	728,461
		1,007,955	762,989
	TOTAL	2,163,613	1,144,936
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	623,964	464,562
Intangible assets	2.6	1,056	3,004
Capital work-in-progress		103,941	706
Long term loans and advances	2.7	65,516	-
		794,477	468,272
Current assets			
Inventories	2.8	116,062	40,445
Trade receivables	2.9	167,708	86,767
Cash and bank balances	2.10	22	9,992
Short term loans and advances	2.11	1,085,344	539,460
		1,369,136	676,664
	TOTAL	2,163,613	1,144,936

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao

Partner

Membership No. 9750

OctoPlus N.V.

Director

Place: Hyderabad

Date: 9 May 2014

OctoPlus Development B.V.**Statement of Profit and Loss**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
Income			
Service income		1,194,129	105,260
Revenue from operations		<u>1,194,129</u>	<u>105,260</u>
Other income	2.12	42,204	4,420
Total revenue		<u>1,236,333</u>	<u>109,680</u>
Expenses			
Cost of material consumed (including packing material consumed)		92,034	1,411
Employee benefits expense	2.13	180,368	18,963
Finance costs	2.14	30,589	4,553
Depreciation and amortization expense	2.6	112,879	11,520
Other expenses	2.15	135,607	4,939
Total expenses		<u>551,477</u>	<u>41,386</u>
Profit before tax		684,856	68,294
Tax expense	2.18	-	-
Profit for the period		<u><u>684,856</u></u>	<u><u>68,294</u></u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao

Partner

Membership No. 9750

OctoPlus N.V.

Director

Place: Hyderabad

Date: 9 May 2014

OctoPlus Development B.V.
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“IGAAP”) under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Subsequent expenditure related to an item of tangible fixed asset is capitalised only if it increases the future benefits from the existing assets beyond its previously assessed standards of performance.

Advances paid towards acquisition of tangible fixed assets outstanding at each balance sheet date are shown under long-term loans and advances. Cost of assets not ready for intended use, as on the balance sheet date, is shown as capital work-in-progress.

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ` 5,000/- are depreciated in full in the year of acquisition.

Management’s estimates of the useful lives for various categories of fixed assets are given below:

	Years
Plant and machinery	3 to 15
Laboratory equipment	5 to 15
Office equipment	3 to 10

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Gains or losses from disposal of tangible fixed assets are recognised in the statement of profit and loss.

e) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition including any import duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use.

Intangible assets are amortised on a systematic basis over the best estimate of their useful lives, commencing from the date the asset is available to the Company for its use.

OctoPlus Development B.V.
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

e) Intangible assets and amortisation (continued)

The management estimates the useful life intangible assets is follows:

	Years
Intangibles	5 to 15

The amortisation period and the amortisation method for intangible assets are reviewed at each financial year-end.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and disposal. Gains or losses arising from the disposal of intangible asset are recognised in the statement of profit and loss.

f) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value (NRV) is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of all categories of inventory is determined using weighted average cost method.

g) Employee benefits

Defined contribution plans

The company's contributions to defined contribution plans are charged to statement of profit and loss as and when the services are received from the employees.

h) Foreign currency transactions and balances

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

**i) Revenue recognition
Service Income**

Revenue from services rendered, which primarily relate to contract research, is recognized in the statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

j) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

OctoPlus Development B.V.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
100,000 shares (previous year : 100,000) of Euro 1 each	<u>7,140</u>	<u>7,140</u>
Issued		
18,151 shares (previous year : 18,151) of Euro 1 each	<u>1,296</u>	<u>1,296</u>
Subscribed and paid-up		
18,151 shares (previous year : 18,151) of Euro 1 each	<u>1,296</u>	<u>1,296</u>
	<u>1,296</u>	<u>1,296</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	18,151	1,296	18,151	1,296
Add: Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	18,151	1,296	18,151	1,296

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of Euro 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
OctoPlus N.V.	18,151	100	18,151	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Foreign currency translation reserve		
Balance at the beginning of the period	(1,049)	-
Movement during the period	<u>90,770</u>	<u>(1,049)</u>
	<u>89,721</u>	<u>(1,049)</u>
Securities premium reserve		
Balance at the beginning of the period	972,930	972,930
Movement during the period	<u>-</u>	<u>-</u>
	<u>972,930</u>	<u>972,930</u>
General Reserve		
Balance at the beginning of the period	160,851	160,851
Movement during the period	<u>-</u>	<u>-</u>
	<u>160,851</u>	<u>160,851</u>
Deficit		
Balance at the beginning of the period	(760,852)	(829,146)
Add: Current period profit	<u>684,856</u>	<u>68,294</u>
Balance carried forward	<u>(75,996)</u>	<u>(760,852)</u>
	<u>1,147,505</u>	<u>371,880</u>

OctoPlus Development B.V.**Notes to Financial Statements**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.3 : Long term borrowings**

	As at 31 March 2014	As at 31 March 2013
Long term maturities of finance lease obligations	6,857	8,771
	<u>6,857</u>	<u>8,771</u>

2.4 : Trade Payables

	As at 31 March 2014	As at 31 March 2013
Trade payable	71,453	34,528
	<u>71,453</u>	<u>34,528</u>

2.5 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Accrued expenses	37,512	17,658
Current maturities of finance lease obligations	3,536	34,625
Due to statutory authorities	1,846	1,034
Due to holding company and other group companies	636,194	491,171
Others	257,414	183,973
	<u>936,502</u>	<u>728,461</u>

OctoPlus Development B.V.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.6 : Fixed assets

Description	Gross Block						Depreciation / Amortization					Net Block		
	As at 01.04.2013	Acquisitions	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 01.04.2013	For the year / period	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013	
Plant and machinery														
Owned	333,557	-	213,210	-	66,031	612,798	6,276	75,283	-	2,641	84,200	528,598	327,281	
Assets taken under finance lease	104,146	-	-	92,007	18,591	30,730	3,454	17,290	-	987	21,731	8,999	100,692	
Laboratory equipment	33,502	-	50,661	-	7,006	91,169	975	13,091	-	436	14,502	76,667	32,527	
Office equipment														
Owned	3,292	-	9,577	-	733	13,602	262	3,632	-	102	3,996	9,606	3,030	
Assets taken under finance lease	1,151	-	-	-	218	1,369	119	1,112	-	44	1,275	94	1,032	
Total tangible assets (A)	475,648	-	273,448	92,007	92,579	749,668	11,086	110,408	-	4,210	125,704	623,964	464,562	
Intangibles	3,269	-	-	-	620	3,889	265	2,471	-	97	2,833	1,056	3,004	
Total intangible assets (B)	3,269	-	-	-	620	3,889	265	2,471	-	97	2,833	1,056	3,004	
Total (A+B)	478,917	-	273,448	92,007	93,199	753,557	11,351	112,879	-	4,307	128,537	625,020	467,566	
For the period 15 February 2013 to 31 March 2013	-	483,490	-	-	(4,573)	478,917	-	11,520	-	(169)	11,351	467,566	-	

OctoPlus Development B.V.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.7 : Long term loans and advances

	As at 31 March 2014	As at 31 March 2013
Capital advances for purchase of fixed assets	65,516	-
	<u>65,516</u>	<u>-</u>

2.8 : Inventories

(Valued on weighted average basis)

	As at 31 March 2014	As at 31 March 2013
Raw materials	116,062	40,445
	<u>116,062</u>	<u>40,445</u>

2.9 : Trade receivables

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
Debts outstanding for a period exceeding six months	-	-
Other debts		
Considered good	167,708	86,767
	<u>167,708</u>	<u>86,767</u>

2.10 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Bank balances		
In current accounts	22	9,992
	<u>22</u>	<u>9,992</u>

2.11 : Short term loans and advances

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
<i>Considered good</i>		
Advances to holding company and other group companies	1,062,756	522,945
Advances to material suppliers	15,220	7,321
Prepaid expenses	7,254	9,194
Staff loans and advances	114	-
	<u>1,085,344</u>	<u>539,460</u>

OctoPlus Development B.V.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.12 : Other income

	As at 31 March 2014	As at 31 March 2013
Foreign exchange gain, net	515	-
Interest income	41,689	4,420
	<u>42,204</u>	<u>4,420</u>

2.13 : Employee benefits expense

	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
Salaries, wages and bonus	117,455	14,575
Contribution to provident and other funds	25,013	2,412
Staff welfare expenses	37,900	1,976
	<u>180,368</u>	<u>18,963</u>

2.14 : Finance costs

	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
Interest expenses	30,589	4,553
	<u>30,589</u>	<u>4,553</u>

2.15 : Other expenses

	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
Legal and professional	655	344
Carriage outward	3,197	464
Repairs and maintenance		
Plant and machinery	108,209	2,463
Others	14,607	1,105
Power and fuel	1,796	118
Travelling and conveyance	807	24
Communication	3,404	157
Rent	423	57
Foreign exchange loss, net	-	33
Other general expenses	2,509	174
	<u>135,607</u>	<u>4,939</u>

OctoPlus Development B.V.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.16 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.17 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
i. Sales and services rendered to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	7,721	-
Reddy Netherlands B.V.	680,849	53,268
ii. Interest received from holding company and other group companies:		
OctoPlus N.V.	17,901	1,072
OctoPlus Sciences B.V.	3,174	447
Chienna B.V.	20,614	2,901
iii. Interest paid to holding company and other group companies:		
OctoShare B.V.	27,165	3,799
OctoPlus Technologies B.V.	2,086	345
iv. Reimbursement of operating and other expenses by holding company and other group companies:		
Dr. Reddy's Laboratories Limited	1,004	-

b. The Company has the following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due from holding company and other group companies (included in short term loans and advances and trade receivables):		
OctoPlus N.V.	563,093	124,792
OctoPlus Sciences B.V.	66,464	53,142
OctoPlus PolyActive Sciences B.V.	3	3
Chienna B.V.	432,910	345,008
Dr. Reddy's Laboratories Limited	7,970	-
ii. Due to holding company and other group companies (included in other current liabilities):		
OctoShare B.V.	590,790	450,182
OctoPlus Technologies B.V.	43,235	40,989
Dr. Reddy's Laboratories Limited	998	-
Reddy Netherlands B.V.	1,170	-

2.18 : The tax expense for the company is computed and presented together with the parent company's (OctoPlus N.V.) financial as per the tax laws of Netherlands.

2.19 : Comparative figures

The company was acquired by Reddy Netherlands B.V. on 15 February 2013, accordingly, the comparative information for the statement of profit and loss is presented for the period from 15 February 2013 to 31 March 2013.

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

OctoPlus Development B.V.
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.20 : The company, incorporated in Netherlands, is a 100 % subsidiary of OctoPlus N.V.

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao
Partner
Membership No. 9750

OctoPlus N.V.
Director

Place: Hyderabad
Date: 9 May 2014

OctoPlus N.V.
Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the period 1 April 2013 to 31 March 2014 as compared to the period 15 February 2013 to 31 March 2013:

(` in thousands)

Particulars	1 April 2013 to 31 March 2014	15 February 2013 to 31 March 2013
Loss for the period after taxation	(137,528)	(75,405)
Balance brought forward	(2,751,658)	(2,676,253)
Balance carried forward to balance sheet	(2,889,186)	(2,751,658)

Change in Executives

During the year under review, Mr. Jan Hendrik Egberts (CEO) and Ms. Suzanna Maria Swarte resigned from their positions. Mr. Gerben Moolhuizen continues as the CBO.

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of loss of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Place: Hyderabad
Date: 9 May 2014

Gerben Moolhuizen
CBO

Auditors' Report

To
The Members of
OctoPlus N.V.

We have audited the accompanying financial statements of **OctoPlus N.V.**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

OctoPlus N.V.**Balance Sheet**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	451,292	451,292
Reserves and surplus	2.2	878,266	789,713
		1,329,558	1,241,005
Non current liabilities			
Long term borrowings	2.3	1,493,744	776,259
		1,493,744	776,259
Current liabilities			
Other current liabilities	2.4	792,605	395,366
Short term provisions	2.5	2,354	1,979
		794,959	397,345
	TOTAL	3,618,261	2,414,609
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	455,554	412,691
Intangible assets	2.6	-	16,887
Non current investments	2.7	-	-
Deferred tax assets, net	2.15	1,132	951
		456,686	430,529
Current assets			
Trade receivables	2.8	-	11,436
Cash and bank balances	2.9	65,756	73,904
Short term loans and advances	2.10	3,095,819	1,898,740
		3,161,575	1,984,080
	TOTAL	3,618,261	2,414,609

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Gerben Moolhuizen

CBO

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

OctoPlus N.V.
Statement of Profit and Loss

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
Income			
Other income	2.11	127,548	14,909
Total revenue		127,548	14,909
Expenses			
Cost of material consumed (including packing material consumed)		17	-
Employee benefits expense	2.12	59,069	67,698
Finance costs		98,794	9,011
Depreciation and amortization expense	2.6	54,511	3,782
Other expenses	2.13	52,685	10,789
Total expenses		265,076	91,280
Loss before tax		(137,528)	(76,371)
Tax expense	2.16		
Deferred tax		-	(966)
Loss for the year		(137,528)	(75,405)

Significant accounting policies 1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Gerben Moolhuizen

CBO

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

OctoPlus N.V.
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“IGAAP”) under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

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d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Subsequent expenditure related to an item of tangible fixed asset is capitalised only if it increases the future benefits from the existing assets beyond its previously assessed standards of performance.

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ` 5,000/- are depreciated in full in the year of acquisition.

Management’s estimates of the useful lives for various categories of fixed assets are given below:

	Years
Buildings	20 to 50

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Gains or losses from disposal of tangible fixed assets are recognised in the statement of profit and loss.

e) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition including any import duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use.

Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives, commencing from the date the asset is available to the Company for its use.

The amortisation period and the amortisation method for intangible assets are reviewed at each financial year-end.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and disposal. Gains or losses arising from the disposal of intangible asset are recognised in the statement of profit and loss.

f) Investments

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as non-current investments.

OctoPlus N.V.
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

f) Investments (continued)

Non-current investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment. The reduction in the carrying amount is reversed when there is a rise in the value of the investment or if the reasons for the reduction no longer exist. Any reduction in the carrying amount and any reversal in such reductions are charged or credited to the statement of profit and loss.

g) Employee benefits

Defined contribution plans

The company's contributions to defined contribution plans are charged to statement of profit and loss as and when the services are received from the employees.

h) Foreign currency transactions and balances

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

i) Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

j) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed at each balance sheet date and are written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Offsetting

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis.

k) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

OctoPlus N.V.
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

l) Leases

The lease arrangement is classified as either a finance lease or an operating lease, at the inception of the lease, based on the substance of the lease arrangement.

Finance leases

A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. A finance lease is recognized as an asset and a liability at the commencement of the lease, at the lower of the fair value of the asset and the present value of the minimum lease payments. Initial direct costs, if any, are also capitalized and, subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases

Other leases are operating leases, and the leased assets are not recognized on the Company's balance sheet. Payments made under operating leases are recognized in the statement of profit and loss on a straight-line basis over the term of the lease.

OctoPlus N.V.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
80,000,000 shares (previous year : 80,000,000) of Euro 0.12 each	<u>685,412</u>	<u>685,412</u>
Issued		
52,673,974 shares (previous year : 52,673,974) of Euro 0.12 each	<u>451,292</u>	<u>451,292</u>
Subscribed and paid-up		
52,673,974 shares (previous year : 52,673,974) of Euro 0.12 each	<u>451,292</u>	<u>451,292</u>
	<u>451,292</u>	<u>451,292</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	52,673,974	451,292	52,673,974	451,292
Add : Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	52,673,974	451,292	52,673,974	451,292

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of Euro 0.12 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
Reddy Netherlands B.V.	52,673,974	100	52,100,790	98.91

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Foreign currency translation reserve		
Balance at the beginning of the period	(10,905)	-
Movement during the period	<u>226,081</u>	<u>(10,905)</u>
	<u>215,176</u>	<u>(10,905)</u>
Securities premium reserve		
Balance at the beginning of the period	4,009,738	4,009,738
Movement during the period	<u>-</u>	<u>-</u>
	<u>4,009,738</u>	<u>4,009,738</u>
General reserve		
Balance at the beginning of the period	(457,462)	(457,462)
Movement during the period	<u>-</u>	<u>-</u>
	<u>(457,462)</u>	<u>(457,462)</u>
Deficit		
Balance at the beginning of the period	(2,751,658)	(2,676,253)
Add: Current period loss	<u>(137,528)</u>	<u>(75,405)</u>
Balance carried forward	<u>(2,889,186)</u>	<u>(2,751,658)</u>
	<u>878,266</u>	<u>789,713</u>

OctoPlus N.V.**Notes to Financial Statements**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.3 : Long term borrowings**

	As at 31 March 2014	As at 31 March 2013
Long term maturities of finance lease obligation	565,926	497,864
Borrowings from holding company and other group companies	927,818	278,395
	<u>1,493,744</u>	<u>776,259</u>

2.4 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Current portion of finance lease obligation	26,431	20,392
Accrued expenses	89,210	103,879
Due to statutory authorities	6,631	2,080
Due to holding company and other group companies	651,896	202,145
Others	18,437	66,870
	<u>792,605</u>	<u>395,366</u>

2.5 : Short term provisions

	As at 31 March 2014	As at 31 March 2013
Provision for employee benefits	2,354	1,979
	<u>2,354</u>	<u>1,979</u>

OctoPlus N.V.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.6 : Fixed assets

Description	Gross Block						Depreciation					Net Block	
	As at 01.04.2013	Acquisitions	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 01.04.2013	For the year / period	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Building (finance lease)	416,417	-	-	-	79,035	495,452	3,726	34,797	-	1,375	39,898	455,554	412,691
Total tangible assets (A)	416,417	-	-	-	79,035	495,452	3,726	34,797	-	1,375	39,898	455,554	412,691
Goodwill	16,887	-	-	-	2,827	19,714	-	19,714	-	-	19,714	-	16,887
Total intangible assets (B)	16,887	-	-	-	2,827	19,714	-	19,714	-	-	19,714	-	16,887
Total (A+B)	433,304	-	-	-	81,862	515,166	3,726	54,511	-	1,375	59,612	455,554	429,578
For the period 15 February 2013 to 31 March 2013	-	437,275	-	-	(3,971)	433,304	-	3,782	-	(56)	3,726	429,578	

OctoPlus N.V.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.7 : Non current investments

	As at 31 March 2014	As at 31 March 2013
Investments in Subsidiaries	1,465,776	1,465,776
Less: Provision for decline, other than temporary, in the value of long term investments	<u>(1,465,776)</u>	<u>(1,465,776)</u>
	<u><u>-</u></u>	<u><u>-</u></u>

2.8 : Trade receivables

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
Debts outstanding for a period exceeding six months	-	-
Other debts		
Considered good	<u>-</u>	<u>11,436</u>
	<u><u>-</u></u>	<u><u>11,436</u></u>

2.9 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Bank balances		
In current accounts	<u>65,756</u>	<u>73,904</u>
	<u><u>65,756</u></u>	<u><u>73,904</u></u>

2.10 : Short term loans and advances

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
Considered good		
Advances to holding company and other group companies	3,058,222	1,868,922
Prepaid expenses	<u>37,597</u>	<u>29,818</u>
	<u><u>3,095,819</u></u>	<u><u>1,898,740</u></u>

2.11 : Other income

	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
Interest income	126,944	14,846
Foreign exchange gain, net	-	63
Miscellaneous income	<u>604</u>	<u>-</u>
	<u><u>127,548</u></u>	<u><u>14,909</u></u>

OctoPlus N.V.**Notes to Financial Statements**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.12 : Employee benefits expense**

	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
Salaries, wages and bonus	55,028	64,908
Contribution to provident and other funds	1,989	1,409
Staff welfare expenses	2,052	1,381
	<u>59,069</u>	<u>67,698</u>

2.13 : Other expenses

	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
Legal and professional	7,621	1,960
Selling expenses	1,723	550
Rent	18,492	2,000
Insurance	15,591	1,931
Foreign exchange loss, net	134	-
Auditors' remuneration	5,730	2,116
Other general expenses	3,394	2,232
	<u>52,685</u>	<u>10,789</u>

2.14 : Commitments and contingent liabilities

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) as on 31 March 2014 is ` 49,790 (previous year: Nil).

2.15 : Deferred taxation

Deferred tax asset, net included in the balance sheet comprises the following:

Particulars	As at 31 March 2014	As at 31 March 2013
Deferred tax assets / (liabilities)		
Fixed assets	1,132	951
Deferred tax asset, net	1,132	951

2.16 : The total tax expense for the company is computed and presented jointly with its subsidiaries as per the tax laws of Netherlands.

OctoPlus N.V.
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.17 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
i. Interest paid to holding company and other group companies:		
Reddy Netherlands B.V.	13,662	421
OctoPlus Sciences B.V.	4,387	661
OctoPlus Development B.V.	17,901	1,072
OctoPlus PolyActive Sciences B.V.	7	-
ii. Interest received from holding company and other group companies:		
OctoShare B.V.	17,370	969
OctoPlus Technologies B.V.	82,354	10,927
Chienna B.V.	27,221	2,950

b. The Company has the following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due from holding company and other group companies (included in short term loans and advances):		
OctoShare B.V.	592,863	140,009
OctoPlus Technologies B.V.	1,819,128	1,317,222
Chienna B.V.	646,231	411,691
ii. Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's Laboratories Limited	-	1,023
iii. Due to holding company and other group companies (included in other current liabilities):		
OctoPlus Sciences B.V.	88,648	77,230
OctoPlus Development B.V.	563,094	124,792
OctoPlus PolyActive Sciences B.V.	154	123
iv. Due to holding company and other group companies (included in long term borrowings):		
Reddy Netherlands B.V.	927,818	278,395

2.18: Comparative figures

The company was acquired by Reddy Netherlands B.V. on 15 February 2013, accordingly, the comparative information for the statement of profit and loss is presented for the period from 15 February 2013 to 31 March 2013.

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.19: The Company, incorporated in the Netherlands, is a 100% subsidiary of Reddy Netherlands B.V.

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao
Partner
Membership No. 9750

Gerben Moolhuizen
CBO

Place: Hyderabad
Date: 9 May 2014

OctoPlus PolyActive Sciences B.V.

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the period 1 April 2013 to 31 March 2014 as compared to the period 15 February 2013 to 31 March 2013:

(` in thousands)

Particulars	1 April 2013 to 31 March 2014	15 February 2013 to 31 March 2013
Profit / (Loss) for the year after taxation	19	(4)
Balance brought forward	(28)	(24)
Balance carried forward to balance sheet	(9)	(28)

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of profit of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Place: Hyderabad

Date: 9 May 2014

OctoPlus N.V.

Director

Auditors' Report

To
The Members of
OctoPlus PolyActive Sciences B.V.

We have audited the accompanying financial statements of **OctoPlus PolyActive Sciences B.V.**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the profit for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN: 002857S

A. Ramachandra Rao

Partner

Membership No.: 9750

Place: Hyderabad

Date: 9 May 2014

OctoPlus PolyActive Sciences B.V.**Balance Sheet**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,285	1,285
Reserves and surplus	2.2	189	(62)
		<u>1,474</u>	<u>1,223</u>
Current liabilities			
Other current liabilities	2.3	3	13
		<u>3</u>	<u>13</u>
	TOTAL	<u>1,477</u>	<u>1,236</u>
ASSETS			
Current assets			
Short term loans and advances	2.4	1,477	1,236
		<u>1,477</u>	<u>1,236</u>
	TOTAL	<u>1,477</u>	<u>1,236</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.***Chartered Accountants*

ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao

Partner

Membership No. 9750

OctoPlus N.V.

Director

Place: Hyderabad

Date: 9 May 2014

OctoPlus PolyActive Sciences B.V.**Statement of Profit and Loss**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
Income			
Interest income		19	-
Total revenue		<u>19</u>	<u>-</u>
Expenses			
Bank charges		-	4
Total expenses		<u>-</u>	<u>4</u>
Profit / (Loss) before tax		19	(4)
Tax expense	2.7	-	-
Profit / (Loss) for the period		<u>19</u>	<u>(4)</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.***Chartered Accountants*

ICAI FRN : 002857S

for and on behalf of the **Board of Directors**

A Ramachandra Rao

Partner

Membership No. 9750

OctoPlus N.V.

Director

Place: Hyderabad

Date: 9 May 2014

OctoPlus PolyActive Sciences B.V.

Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) *Basis of preparation of financial statements*

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“IGAAP”) under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) *Use of estimates*

The preparation of the financial statements in conformity with IGAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) *Current and non-current classification*

All the assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) *Interest income*

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

e) *Provisions, contingent liabilities and contingent assets*

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

OctoPlus PolyActive Sciences B.V.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
9,000,000 shares (previous year : 9,000,000) of Euro 0.01 each	<u>6,426</u>	<u>6,426</u>
Issued		
1,800,000 shares (previous year : 1,800,000) of Euro 0.01 each	<u>1,285</u>	<u>1,285</u>
Subscribed and paid-up		
1,800,000 shares (previous year : 1,800,000) of Euro 0.01 each	<u>1,285</u>	<u>1,285</u>
	<u>1,285</u>	<u>1,285</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	1,800,000	1,285	1,800,000	1,285
Add : Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	1,800,000	1,285	1,800,000	1,285

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of Euro 0.01 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
OctoPlus Sciences B.V.	1,800,000	100	1,800,000	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Foreign currency translation reserve		
Balance at the beginning of the period	(34)	-
Movement during the period	<u>232</u>	<u>(34)</u>
	<u>198</u>	<u>(34)</u>
Deficit		
Balance at the beginning of the period	(28)	(24)
Add: Current year profit / (loss)	<u>19</u>	<u>(4)</u>
Balance carried forward	<u>(9)</u>	<u>(28)</u>
	<u>189</u>	<u>(62)</u>

2.3 Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Due to holding company and other group companies	3	3
Others	<u>-</u>	<u>10</u>
	<u>3</u>	<u>13</u>

OctoPlus PolyActive Sciences B.V.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.4 : Short term loans and advances

	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Advances to holding company and other group companies	1,477	1,236
	<u>1,477</u>	<u>1,236</u>

2.5 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.6 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
i. Interest received from holding company and other group companies:		
OctoPlus N.V.	7	-

b. The Company has the following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due from holding company and other group companies (included in short term loans and advances):		
OctoPlus N.V.	154	123
OctoPlus Sciences B.V.	1,323	1,113
ii. Due to holding company and other group companies (included in other current liabilities):		
OctoPlus Development B.V.	3	3

2.7 : The tax expense for the company is computed and presented together with the parent company's (OctoPlus N.V.) financial as per the tax laws of Netherlands.

2.8 : Comparative figures

The company was acquired by Reddy Netherlands B.V. on 15 February 2013, accordingly, the comparative information for the statement of profit and loss is presented for the period from 15 February 2013 to 31 March 2013.

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.9 : The company, incorporated in Netherlands, is a 100 % subsidiary of OctoPlus Sciences B.V.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for **and on behalf of the Board of Directors**

A Ramachandra Rao
Partner
Membership No. 9750

OctoPlus N.V.
Director

Place: Hyderabad
Date: 9 May 2014

OctoPlus Sciences B.V.

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the period 1 April 2013 to 31 March 2014 as compared to the period 15 February 2013 to 31 March 2013:

(` in thousands)

Particulars	1 April 2013 to 31 March 2014	15 February 2013 to 31 March 2013
Loss for the period after taxation	(33,130)	(3,251)
Balance brought forward	(127,325)	(124,074)
Balance carried forward to balance sheet	(160,455)	(127,325)

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of loss of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Place: Hyderabad

Date: 9 May 2014

OctoPlus N.V.

Director

Auditors' Report

To
The Members of
OctoPlus Sciences B.V.

We have audited the accompanying financial statements of **OctoPlus Sciences B.V.**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

OctoPlus Sciences B.V.**Balance Sheet**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,285	1,285
Reserves and surplus	2.2	110,252	120,840
		111,537	122,125
Current liabilities			
Other current liabilities	2.3	73,880	59,909
		73,880	59,909
	TOTAL	185,417	182,034
ASSETS			
Non current assets			
Fixed assets			
Intangible assets	2.4	67,194	80,223
Non current investments	2.5	-	-
		67,194	80,223
Current assets			
Cash and bank balances	2.6	3	143
Short term loans and advances	2.7	118,220	101,668
		118,223	101,811
	TOTAL	185,417	182,034

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.***Chartered Accountants*

ICAI FRN : 002857S

A Ramachandra Rao
Partner
Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

OctoPlus N.V.
Director

OctoPlus Sciences B.V.
Statement of Profit and Loss

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
Income			
Interest income		5,675	842
Total revenue		5,675	842
Expenses			
Finance costs		3,455	486
Amortization expense	2.4	27,723	2,841
Other expenses	2.8	7,627	766
Total expenses		38,805	4,093
Loss before tax		(33,130)	(3,251)
Tax expense		-	-
Loss for the period		(33,130)	(3,251)

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the **Board of Directors**

A Ramachandra Rao

Partner

Membership No. 9750

OctoPlus N.V.

Director

Place: Hyderabad

Date: 9 May 2014

OctoPlus Sciences B.V.
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“IGAAP”) under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition including any import duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use.

Intangible assets are amortised on a systematic basis over the best estimate of their useful lives, commencing from the date the asset is available to the Company for its use.

The management estimates the useful lives for the various intangible assets as follows:

	Years
Product related intangibles	5 to 15

The amortisation period and the amortisation method for intangible assets are reviewed at each financial year-end.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and disposal. Gains or losses arising from the disposal of intangible asset are recognised in the statement of profit and loss.

e) Investments

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as non-current investments.

Non-current investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment. The reduction in the carrying amount is reversed when there is a rise in the value of the investment or if the reasons for the reduction no longer exist. Any reduction in the carrying amount and any reversal in such reductions are charged or credited to the statement of profit and loss.

f) Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

OctoPlus Sciences B.V.
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

g) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

OctoPlus Sciences B.V.
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
90,000 shares (previous year : 90,000) of Euro 1 each	6,426	6,426
Issued		
18,000 shares (previous year : 18,000) of Euro 1 each	1,285	1,285
Subscribed and paid-up		
18,000 shares (previous year : 18,000) of Euro 1 each	1,285	1,285
	1,285	1,285

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding as at the beginning of the year	18,000	1,285	18,000	1,285
Add : Shares issued during the year	-	-	-	-
Number of shares outstanding as at the end of the year	18,000	1,285	18,000	1,285

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of Euro 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
OctoPlus N.V.	18,000	100	18,000	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Foreign currency translation reserve		
Balance at the beginning of the year	14	-
Movement during the period	22,542	14
	22,556	14
Securities premium reserve		
Balance at the beginning of the year	340,526	340,526
Movement during the period	-	-
	340,526	340,526
General reserve		
Balance at the beginning of the year	(92,375)	(92,375)
Movement during the period	-	-
	(92,375)	(92,375)
Deficit		
Balance at the beginning of the year	(127,325)	(124,074)
Add: Current year loss	(33,130)	(3,251)
Balance carried forward	(160,455)	(127,325)
	110,252	120,840

OctoPlus Sciences B.V.
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.3 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Due to holding company and other group companies	73,661	58,951
Others	219	958
	<u>73,880</u>	<u>59,909</u>

OctoPlus Sciences B.V.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.4 : Fixed assets

Description	Gross Block						Amortisation					Net Block	
	As at 01.04.2013	Acquisitions	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 01.04.2013	For the year / period	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Intangibles	82,757	-	-	-	15,706	98,463	2,534	27,723	-	1,012	31,269	67,194	80,223
Total	82,757	-	-	-	15,706	98,463	2,534	27,723	-	1,012	31,269	67,194	80,223
For the period 15 February 2013 to 31 March 2013	-	83,546	-	-	(789)	82,757	-	2,841	-	(307)	2,534	80,223	

OctoPlus Sciences B.V.
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.5 : Non current investments

	As at 31 March 2014	As at 31 March 2013
Non current investments at cost		
<i>In Subsidiary Companies</i>		
OctoPlus PolyActive Sciences B.V.	1,285	1,285
Less: Provision for decline, other than temporary, in the value of non current investments	<u>(1,285)</u>	<u>(1,285)</u>
	<u><u>-</u></u>	<u><u>-</u></u>

2.6 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Bank balances		
In current accounts	<u>3</u>	<u>143</u>
	<u><u>3</u></u>	<u><u>143</u></u>

2.7 : Short term loans and advances

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
<i>Considered good</i>		
Advances to holding company and other group companies	115,845	98,756
Prepaid expenses	<u>2,375</u>	<u>2,912</u>
	<u><u>118,220</u></u>	<u><u>101,668</u></u>

2.8 : Other expenses

	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
Legal and professional	7,559	766
Bank charges	<u>68</u>	<u>-</u>
	<u><u>7,627</u></u>	<u><u>766</u></u>

2.9 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

OctoPlus Sciences B.V.
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.10 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
i. Interest received from holding company and other group companies:		
OctoShare B.V.	395	55
OctoPlus N.V.	4,387	661
OctoPlus Technologies B.V.	893	126
ii. Interest paid to holding company and other group companies:		
OctoPlus Development B.V.	3,174	447
Chienna B.V.	281	39

b. The Company has the following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due from holding company and other group companies (included in short term loans and advances):		
OctoShare B.V.	8,499	6,576
OctoPlus N.V.	88,648	77,230
OctoPlus Technologies B.V.	18,698	14,950
ii. Due to holding company and other group companies (included in other current liabilities):		
OctoPlus Development B.V.	66,464	53,142
OctoPlus PolyActive Sciences B.V.	1,323	1,112
Chienna B.V.	5,874	4,697

2.11 : The tax expense for the company is computed and presented together with the parent company's (OctoPlus N.V.) financial as per the tax laws of Netherlands.

2.12 : Comparative figures

The company was acquired by Reddy Netherlands B.V. on 15 February 2013, accordingly, the comparative information for the statement of profit and loss is presented for the period from 15 February 2013 to 31 March 2013.

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.13 : The company, incorporated in Netherlands, is a 100 % subsidiary of OctoPlus N.V.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao
Partner
Membership No. 9750

OctoPlus N.V.
Director

Place: Hyderabad
Date: 9 May 2014

OctoPlus Technologies B.V.

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the period 1 April 2013 to 31 March 2014 as compared to the period 15 February 2013 to 31 March 2013:

(` in thousands)

Particulars	1 April 2013 to 31 March 2014	15 February 2013 to 31 March 2013
Loss for the period after taxation	(314,964)	(36,158)
Balance brought forward	(1,882,695)	(1,846,537)
Balance carried forward to balance sheet	(2,197,659)	(1,882,695)

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of loss of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Place: Hyderabad

Date: 9 May 2014

OctoPlus N.V.

Director

Auditors' Report

To
The Members of
OctoPlus Technologies B.V.

We have audited the accompanying financial statements of **OctoPlus Technologies B.V.**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

OctoPlus Technologies B.V.**Balance Sheet**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,428	1,428
Reserves and surplus	2.2	(3,435,843)	(2,618,178)
		<u>(3,434,415)</u>	<u>(2,616,750)</u>
Current liabilities			
Short term borrowings	2.3	-	12,919
Trade payables	2.4	3,386	10,351
Other current liabilities	2.5	3,476,346	2,635,703
Short term provisions	2.6	507	-
		<u>3,480,239</u>	<u>2,658,973</u>
	TOTAL	<u><u>45,824</u></u>	<u><u>42,223</u></u>
ASSETS			
Current assets			
Trade receivables	2.7	1,346	303
Cash and bank balances	2.8	82	-
Short term loans and advances	2.9	44,396	41,920
		<u>45,824</u>	<u>42,223</u>
	TOTAL	<u><u>45,824</u></u>	<u><u>42,223</u></u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.***Chartered Accountants*

ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao
Partner
Membership No. 9750

OctoPlus N.V.
Director

Place: Hyderabad
Date: 9 May 2014

OctoPlus Technologies B.V.**Statement of Profit and Loss**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
Income			
Service income		9,002	810
Other income	2.10	<u>2,087</u>	<u>804</u>
Total revenue		<u>11,089</u>	<u>1,614</u>
Expenses			
Cost of material consumed (including packing material consumed)		4,384	-
Employee benefits expense	2.11	160,420	15,615
Finance costs	2.12	159,181	21,743
Other expenses	2.13	<u>2,068</u>	<u>414</u>
Total expenses		<u>326,053</u>	<u>37,772</u>
Loss before tax		(314,964)	(36,158)
Tax expense	2.16	<u>-</u>	<u>-</u>
Loss for the period		<u>(314,964)</u>	<u>(36,158)</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.***Chartered Accountants*

ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao

Partner

Membership No. 9750

OctoPlus N.V.

Director

Place: Hyderabad

Date: 9 May 2014

OctoPlus Technologies B.V.
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“IGAAP”) under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Employee benefits

Defined contribution plans

The company's contributions to defined contribution plans are charged to statement of profit and loss as and when the services are received from the employees.

e) Foreign currency transactions and balances

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

f) Revenue recognition

Service Income

Revenue from services rendered, which primarily relate to contract research, is recognized in the statement of profit and loss as the underlying services are performed. Upfront non-refundable payments received under these arrangements are deferred and recognised as revenue over the expected period over which the related services are expected to be performed.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

g) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

OctoPlus Technologies B.V.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
20,000 shares (previous year : 20,000) of Euro 1 each	1,428	1,428
Issued		
20,000 shares (previous year : 20,000) of Euro 1 each	1,428	1,428
Subscribed and paid-up		
20,000 shares (previous year : 20,000) of Euro 1 each	1,428	1,428
	1,428	1,428

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding as at the beginning of the year	2,000,000	1,428	2,000,000	1,428
Add : Shares issued during the year	-	-	-	-
Number of shares outstanding as at the end of the year	2,000,000	1,428	2,000,000	1,428

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of Euro 0.01 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
OctoPlus N.V.	2,000,000	100	2,000,000	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Foreign currency translation reserve		
Balance at the beginning of the period	498	-
Movement during the period	(502,701)	498
	(502,203)	498
General reserve		
Balance at the beginning of the period	(735,981)	(735,981)
Movement during the period	-	-
	(735,981)	(735,981)
Deficit		
Balance at the beginning of the period	(1,882,695)	(1,846,537)
Add: Current period loss	(314,964)	(36,158)
Balance carried forward	(2,197,659)	(1,882,695)
	(3,435,843)	(2,618,178)

OctoPlus Technologies B.V.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.3 : Short term borrowings

	As at 31 March 2014	As at 31 March 2013
<i>Secured</i>		
Bank overdraft	-	12,919
	<u>-</u>	<u>12,919</u>

2.4 : Trade payables

	As at 31 March 2014	As at 31 March 2013
Trade payable	3,386	10,351
	<u>3,386</u>	<u>10,351</u>

2.5 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Due to holding company and other group companies	3,430,122	2,602,201
Accrued expenses	16,188	8,253
Due to statutory authorities	1,546	2,062
Others	28,490	23,187
	<u>3,476,346</u>	<u>2,635,703</u>

2.6 : Short term provisions

	As at 31 March 2014	As at 31 March 2013
Provision for employee benefits	507	-
	<u>507</u>	<u>-</u>

2.7 : Trade receivables

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
Debts outstanding for a period exceeding six months	-	-
Other debts		
Considered good	1,346	303
	<u>1,346</u>	<u>303</u>

2.8 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Bank balances		
In current accounts	82	-
	<u>82</u>	<u>-</u>

OctoPlus Technologies B.V.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.9 : Short term loans and advances

(Unsecured)	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Advances to holding company and other group companies	43,235	40,989
Prepaid expenses	1,161	921
Staff loans and advances	-	10
	<u>44,396</u>	<u>41,920</u>

2.10 : Other income

	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
Interest income	2,086	345
Miscellaneous income	-	459
Foreign exchange gain, net	1	-
	<u>2,087</u>	<u>804</u>

2.11 : Employee benefits expense

	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
Salaries, wages and bonus	127,488	13,041
Contribution to provident and other funds	23,610	2,398
Staff welfare expenses	9,322	176
	<u>160,420</u>	<u>15,615</u>

2.12 : Finance costs

	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
Interest expenses	159,181	21,743
	<u>159,181</u>	<u>21,743</u>

2.13 : Other expenses

	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
Legal and professional	179	217
Travelling and conveyance	1,547	193
Selling expenses	146	-
Bank charges	193	1
Other general expenses	3	3
	<u>2,068</u>	<u>414</u>

OctoPlus Technologies B.V.**Notes to Financial Statements**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.14 : Commitments and contingent liabilities**

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.15 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
i. Interest paid to holding company and other group companies:		
OctoPlus N.V.	82,354	10,927
OctoPlus Sciences B.V.	893	126
Chienna B.V.	11,436	1,609
OctoShare B.V.	64,498	9,081
ii. Interest received from holding company and other group companies:		
OctoPlus Development B.V.	2,086	345

b. The Company has the following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due to holding company and other group companies (included in other current liabilities):		
OctoPlus N.V.	1,819,128	1,317,220
OctoPlus Sciences B.V.	18,698	14,951
Chienna B.V.	239,475	191,478
OctoShare B.V.	1,352,821	1,078,552
ii. Due from holding company and other group companies (included in short term loans and advances):		
OctoPlus Development B.V.	43,235	40,989

2.16 : The tax expense for the company is computed and presented together with the parent company's (OctoPlus N.V.) financial as per the tax laws of Netherlands.**2.17 : Comparative figures**

The company was acquired by Reddy Netherlands B.V. on 15 February 2013, accordingly, the comparative information for the statement of profit and loss is presented for the period from 15 February 2013 to 31 March 2013. Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.18 : The company, incorporated in Netherlands, is a 100 % subsidiary of OctoPlus N.V.

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the Board of Directors

OctoPlus N.V.
Director

A Ramachandra Rao
Partner
Membership No. 9750

Place: Hyderabad
Date: 9 May 2014

OctoShare B.V.
Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the period 1 April 2013 to 31 March 2014 as compared to the period 15 February 2013 to 31 March 2013:

(` in thousands)

Particulars	1 April 2013 to 31 March 2014	15 February 2013 to 31 March 2013
Loss for the period after taxation	(277,188)	(23,477)
Balance brought forward	265,931	289,408
Balance carried forward to balance sheet	(11,257)	265,931

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of loss of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Place: Hyderabad
Date: 9 May 2014

OctoPlus N.V.
Director

Auditors' Report

To
The Members of
OctoShare B.V.

We have audited the accompanying financial statements of **OctoShare B.V.**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN: 002857S

A. Ramachandra Rao

Partner

Membership No.: 9750

Place: Hyderabad

Date: 9 May 2014

OctoShare B.V.**Balance Sheet**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	2,472	2,472
Reserves and surplus	2.2	1,096,981	1,159,038
		<u>1,099,453</u>	<u>1,161,510</u>
Current liabilities			
Short term borrowings	2.3	-	21,836
Other current liabilities	2.4	849,357	352,681
Short term provisions	2.5	416	249
		<u>849,773</u>	<u>374,766</u>
	TOTAL	<u>1,949,226</u>	<u>1,536,276</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	68	478
Long term loans and advances	2.7	433	31
		<u>501</u>	<u>509</u>
Current assets			
Cash and bank balances	2.8	128	27
Short term loans and advances	2.9	1,948,597	1,535,740
		<u>1,948,725</u>	<u>1,535,767</u>
	TOTAL	<u>1,949,226</u>	<u>1,536,276</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao

Partner

Membership No. 9750

OctoPlus N.V.

Director

Place: Hyderabad

Date: 9 May 2014

OctoShare B.V.
Statement of Profit and Loss

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
Income			
Service income		570	-
Revenue from operations		570	-
Other income	2.10	91,956	12,880
Total revenue		92,526	12,880
Expenses			
Cost of material consumed (including packing material consumed)		6	-
Employee benefits expense	2.11	237,643	25,154
Finance costs		26,517	2,265
Depreciation and amortization expense	2.6	491	106
Other expenses	2.12	105,057	8,832
Total expenses		369,714	36,357
Loss before tax		(277,188)	(23,477)
Tax expense	2.15	-	-
Loss for the period		(277,188)	(23,477)

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the **Board of Directors**

A Ramachandra Rao

Partner

Membership No. 9750

OctoPlus N.V.

Director

Place: Hyderabad

Date: 9 May 2014

OctoShare B.V.
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“IGAAP”) under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Subsequent expenditure related to an item of tangible fixed asset is capitalised only if it increases the future benefits from the existing assets beyond its previously assessed standards of performance.

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ` 5,000/- are depreciated in full in the year of acquisition.

Management’s estimates of the useful lives for various categories of fixed assets are given below:

	Years
Office equipment	3 to10

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Gains or losses from disposal of tangible fixed assets are recognised in the statement of profit and loss.

e) Employee benefits

Defined contribution plans

The company's contributions to defined contribution plans are charged to statement of profit and loss as and when the services are received from the employees.

f) Foreign currency transactions and balances

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

OctoShare B.V.
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

g) *Interest income*

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

h) *Provisions, contingent liabilities and contingent assets*

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

OctoShare B.V.
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
174,800 shares (previous year : 174,800) of Euro 1 each	12,480	12,480
Issued		
34,638 shares (previous year : 34,638) of Euro 1 each	2,472	2,472
Subscribed and paid-up		
34,638 shares (previous year : 34,638) of Euro 1 each	2,472	2,472
	2,472	2,472

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding as at the beginning of the year	753	2,472	753	2,472
Add : Shares issued during the year	-	-	-	-
Number of shares outstanding as at the end of the year	753	2,472	753	2,472

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of Euro 46 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
OctoPlus N.V.	753	100	753	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Foreign currency translation reserve		
Balance at the beginning of the period	(66)	-
Movement during the period	215,131	(66)
	215,065	(66)
General reserve		
Balance at the beginning of the period	893,173	893,173
Movement during the period	-	-
	893,173	893,173
Surplus / (Deficit)		
Balance at the beginning of the period	265,931	289,408
Add: Current period loss	(277,188)	(23,477)
Balance carried forward	(11,257)	265,931
	1,096,981	1,159,038

OctoShare B.V.
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.3 : Short term borrowings

<i>Secured</i>	As at 31 March 2014	As at 31 March 2013
Bank overdraft	-	21,836
	<u>-</u>	<u>21,836</u>

2.4 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Accrued expenses	24,090	14,487
Due to statutory authorities	675	2,787
Due to holding company and other group companies	786,225	293,381
Others	38,367	42,026
	<u>849,357</u>	<u>352,681</u>

2.5 : Short term provisions

	As at 31 March 2014	As at 31 March 2013
Provision for employee benefits	416	249
	<u>416</u>	<u>249</u>

OctoShare B.V.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.6 : Fixed assets

Description	Gross Block						Depreciation					Net Block	
	As at 01.04.2013	Acquisitions	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 01.04.2013	For the year / period	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Office equipment	584	-	-	-	111	695	106	491	-	30	627	68	478
Total	584	-	-	-	111	695	106	491	-	30	627	68	478
For the period 15 February 2013 to 31 March 2013	-	585	-	-	(1)	584	-	106	-	-	106		

OctoShare B.V.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.7 : Long term loans and advances

(Unsecured)	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Security deposits	433	31
	<u>433</u>	<u>31</u>

2.8 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Cash on hand	46	27
Bank balances		
In current accounts	82	-
	<u>128</u>	<u>27</u>

2.9 : Short term loans and advances

(Unsecured)	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Advances to holding company and other group companies	1,943,611	1,528,733
Prepaid expenses	4,923	5,749
Staff loans and advances	63	7
Other advances	-	1,251
	<u>1,948,597</u>	<u>1,535,740</u>

2.10 : Other income

	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
Interest income	91,663	12,880
Foreign exchange gain, net	293	-
	<u>91,956</u>	<u>12,880</u>

2.11 : Employee benefits expense

	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
Salaries, wages and bonus	189,646	19,887
Contribution to provident and other funds	29,170	3,367
Staff welfare expenses	18,827	1,900
	<u>237,643</u>	<u>25,154</u>

OctoShare B.V.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.12 : Other expenses

	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
Legal and professional	11,673	1,542
Carriage outward	7	2
Rates and taxes	4,183	410
Selling expenses	10,931	363
Repairs and Maintenance Expenses	16,415	1,568
Power and fuel	32,825	2,629
Travelling and conveyance	16,866	689
Communication	9,267	523
Rent	1,262	110
Foreign exchange loss, net	-	10
Other general expenses	1,628	986
	<u>105,057</u>	<u>8,832</u>

2.13 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

OctoShare B.V.
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.14 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the period 1 April 2013 to 31 March 2014	For the period 15 February 2013 to 31 March 2013
i. Interest received from holding company and other group companies:		
OctoPlus Development B.V.	27,165	3,799
OctoPlus Technologies B.V.	64,498	9,081
ii. Interest paid to holding company and other group companies:		
OctoPlus N.V.	17,370	969
OctoPlus Sciences B.V.	395	55
Chienna B.V.	8,752	1,240

b. The Company has the following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due from holding company and other group companies (included in short term loans and advances):		
OctoPlus Development B.V.	590,790	450,181
OctoPlus Technologies B.V.	1,352,821	1,078,552
ii. Due to holding company and other group companies (included in other current liabilities):		
OctoPlus N.V.	592,863	140,009
OctoPlus Sciences B.V.	8,499	6,576
Chienna B.V.	184,863	146,796

2.15 : The tax expense for the company is computed and presented together with the parent company's (OctoPlus N.V.) financial statements as per the tax laws of Netherlands.

2.16 : Comparative figures

The company was acquired by Reddy Netherlands B.V. on 15 February 2013, accordingly, the comparative information for the statement of profit and loss is presented for the period from 15 February 2013 to 31 March 2013. Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.17 : The company, incorporated in Netherlands, is a 100 % subsidiary of OctoPlus N.V.

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao
Partner
Membership No. 9750

OctoPlus N.V.
Director

Place: Hyderabad
Date: 9 May 2014

OOO Dr. Reddy's Laboratories Limited

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in lakhs)

Particulars	31 March 2014	31 March 2013
Profit / (Loss) for the year after taxation	7,754	(185)
Balance brought forward	58	243
Balance carried forward to balance sheet	7,812	58

Directors

During the year under review, Mr. Satish Reddy resigned from the Board and Mr. Charles Bulhmann was appointed as a director on the Board. Mr. Charles Bulhmann acts as a representative of majority shareholders Dr. Reddy's Laboratories SA, Switzerland and Dr. Reddy's Laboratories International SA.

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of profit of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Place: Hyderabad
Date: 9 May 2014

Charles Bulhmann
Director

Auditors' Report

To
The Members of
OOO Dr. Reddy's Laboratories Limited

We have audited the accompanying financial statements of **OOO Dr. Reddy's Laboratories Limited**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the profit for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN: 002857S

A. Ramachandra Rao

Partner

Membership No.: 9750

Place: Hyderabad

Date: 9 May 2014

OOO Dr. Reddy's Laboratories Limited

Balance Sheet

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	718	718
Reserves and surplus	2.2	7,812	58
		<u>8,530</u>	<u>776</u>
Non current liabilities			
Long term borrowings	2.3	708	-
		<u>708</u>	<u>-</u>
Current liabilities			
Trade payables	2.4	102,486	89,476
Other current liabilities	2.5	13,673	13,324
Short term provisions	2.6	1,625	1,050
		<u>117,784</u>	<u>103,850</u>
	TOTAL	<u>127,022</u>	<u>104,626</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	2,570	326
Deferred tax assets, net	2.20	3,445	3,606
Long term loans and advances	2.8	689	674
		<u>6,704</u>	<u>4,606</u>
Current assets			
Inventories	2.9	39,469	23,111
Trade receivables	2.10	57,724	63,509
Cash and bank balances	2.11	3,006	3,710
Short term loans and advances	2.12	3,556	2,189
Other current assets	2.13	16,563	7,501
		<u>120,318</u>	<u>100,020</u>
	TOTAL	<u>127,022</u>	<u>104,626</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Charles Bulhmann

Director

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

OOO Dr. Reddy's Laboratories Limited**Statement of Profit and Loss**

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Sales, net		162,736	139,692
Service income		8,695	6,904
Other operating revenues		46	57
Revenue from operations		171,477	146,653
Other income	2.14	1,851	361
Total revenue		173,328	147,014
Expenses			
Purchase of stock-in-trade (traded goods)		151,018	138,700
Changes in inventories of work-in-progress and stock-in-trade	2.15	(16,358)	(8,066)
Employee benefits expense	2.16	9,525	3,394
Finance costs	2.17	202	26
Depreciation expense	2.7	382	166
Other expenses	2.18	18,421	12,434
Total expenses		163,190	146,654
Profit before tax		10,138	360
Tax expense			
Current tax		2,332	2,182
Deferred tax expense / (benefit)		52	(1,638)
Profit / (Loss) for the year		7,754	(185)

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Charles Bulmann

Director

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

OOO Dr. Reddy's Laboratories Limited
Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) *Basis of preparation of financial statements*

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("IGAAP") under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) *Use of estimates*

The preparation of the financial statements in conformity with IGAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) *Current and non-current classification*

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

Assets:

An asset is classified as current when it satisfies any of the following criteria:

- a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is expected to be realised within 12 months after the reporting date; or
- d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Liabilities:

A liability is classified as current when it satisfies any of the following criteria:

- a) it is expected to be settled in the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is due to be settled within 12 months after the reporting date; or
- d) the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets/ liabilities include the current portion of non-current financial assets/ liabilities respectively. All other assets/ liabilities are classified as non-current.

d) *Inventories*

Inventories are valued at the lower of cost and net realisable value. Net realisable value (NRV) is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of all categories of inventory is determined using weighted average cost method.

e) *Employee benefits*

Defined contribution plans

Contributions payable, employee pension and social security schemes, which are defined contribution schemes, are charged to the statement of profit and loss account.

OOO Dr. Reddy's Laboratories Limited
Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

f) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Subsequent expenditure related to an item of tangible fixed asset is capitalised only if it increases the future benefits from the existing assets beyond its previously assessed standards of performance.

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ₹ 5,000/- are depreciated in full in the year of acquisition.

Assets acquired on finance leases are depreciated over the period of the lease agreement or the useful life whichever is shorter. Leasehold improvements are depreciated over their estimated useful life, or the remaining period of lease, whichever is shorter.

Management's estimates of the useful lives for various categories of fixed assets are given below:

	Years
Plant and machinery	3 to 15
Furniture and fixtures and office equipment	3 to 10
Vehicles	4 to 5

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Gains or losses from disposal of tangible fixed assets are recognised in the statement of profit and loss.

g) Foreign currency transactions and balances

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

h) Revenue recognition

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is reasonably certain, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenue from the sale of goods is net of returns, sales tax and applicable trade discounts and allowances.

Sales returns

The Company accounts for sales returns by recording an allowance for sales returns concurrent with the recognition of revenue at the time of a product sale. This allowance is based on the Company's estimate of expected sales returns.

Service Income

Revenue from services rendered is recognized in the statement of profit and loss as the underlying services are performed.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

OOO Dr. Reddy's Laboratories Limited
Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

i) *Income-tax expense*

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed at each balance sheet date and are written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Offsetting

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis.

j) *Provisions, contingent liabilities and contingent assets*

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

k) *Leases*

The lease arrangement is classified as either a finance lease or an operating lease, at the inception of the lease, based on the substance of the lease arrangement.

Finance leases

A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. A finance lease is recognized as an asset and a liability at the commencement of the lease, at the lower of the fair value of the asset and the present value of the minimum lease payments. Initial direct costs, if any, are also capitalized and, subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases

Other leases are operating leases, and the leased assets are not recognized on the Company's balance sheet. Payments made under operating leases are recognized in the statement of profit and loss on a straight-line basis over the term of the lease.

OOO Dr. Reddy's Laboratories Limited

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
46,294,632 (previous year : 46,294,632) equity shares of RUB 1 each	<u>718</u>	<u>718</u>
Issued		
46,294,632 (previous year : 46,294,632) equity shares of RUB 1 each	<u>718</u>	<u>718</u>
Subscribed and paid-up		
46,294,632 (previous year : 46,294,632) equity shares of RUB 1 each	<u>718</u>	<u>718</u>
	<u>718</u>	<u>718</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	46,294,632	718	46,294,632	718
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	46,294,632	718	46,294,632	718

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of RUB 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Dr. Reddy's Laboratories Limited	-	-	46,294,632	100
Dr. Reddy's Laboratories SA (including shares held by nominees)	46,294,632	100	-	-

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Surplus		
Balance at the beginning of the year	58	243
Add: Current year profit / (loss)	<u>7,754</u>	<u>(185)</u>
	<u>7,812</u>	<u>58</u>

2.3 : Long term borrowings

	As at 31 March 2014	As at 31 March 2013
Long term maturities of finance lease obligations	<u>708</u>	<u>-</u>
	<u>708</u>	<u>-</u>

OOO Dr. Reddy's Laboratories Limited**Notes to Financial Statements**

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.4 : Trade payables**

	As at 31 March 2014	As at 31 March 2013
Payables to holding company and other group companies	101,050	87,338
Payables to others	1,436	2,138
	<u>102,486</u>	<u>89,476</u>

2.5 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Accrued expenses	12,971	13,204
Current maturities of finance lease obligations	531	-
Others	171	120
	<u>13,673</u>	<u>13,324</u>

2.6 : Short term provisions

	As at 31 March 2014	As at 31 March 2013
Provision for employee benefits	408	173
Income tax payable	1,217	877
	<u>1,625</u>	<u>1,050</u>

OOO Dr. Reddy's Laboratories Limited
Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.7 : Fixed assets

Description	Gross Block				Depreciation				Net Block	
	As at 01.04.2013	Additions	Deletions	As at 31.03.2014	As at 01.04.2013	For the year	Deletions	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Vehicles										
Owned	278	26	40	264	179	91	36	234	30	99
Assets taken under finance lease	182	2,037	-	2,219	35	201	-	236	1,983	147
Plant and machinery	5	-	-	5	5	-	-	5	-	-
Furniture and fixtures and office equipment	363	568	21	910	283	90	20	353	557	80
Total tangible assets	828	2,631	61	3,398	502	382	56	828	2,570	326
Previous year	672	198	42	828	367	166	30	502	326	

OOO Dr. Reddy's Laboratories Limited
Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.8 : Long term loans and advances

(Unsecured)	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Loan to holding company and other group companies	609	573
Security deposits	80	101
	<u>689</u>	<u>674</u>

**2.9 : Inventories
(Valued on weighted average basis)**

	As at 31 March 2014	As at 31 March 2013
Stock-in-trade	39,467	23,109
Packing materials	2	2
	<u>39,469</u>	<u>23,111</u>

2.10 : Trade receivables

(Unsecured)	As at 31 March 2014	As at 31 March 2013
Debts outstanding for a period exceeding six months		
Considered good	3,404	3,686
Considered doubtful	3,324	1,748
Other debts		
Considered good	54,320	59,823
	<u>61,048</u>	<u>65,257</u>
<i>Less</i> : Provision for doubtful debts	<u>(3,324)</u>	<u>(1,748)</u>
	<u>57,724</u>	<u>63,509</u>

2.11 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Cash on hand	1	1
Bank balances		
In current accounts	3,005	3,709
	<u>3,006</u>	<u>3,710</u>

2.12 : Short term loans and advances

(Unsecured)	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Advances to material suppliers	421	363
Staff loans and advances	156	24
Balances with statutory agencies	1,825	1,689
Prepaid expenses	2	2
Other advances	1,152	111
	<u>3,556</u>	<u>2,189</u>

2.13 : Other current assets

	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Other receivables from holding company and other group companies	16,563	7,501
	<u>16,563</u>	<u>7,501</u>

OOO Dr. Reddy's Laboratories Limited
Notes to Financial Statements
(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.14 : Other income

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest income	89	35
Profit on sale of fixed assets, net	15	10
Foreign exchnage gain, net	1,747	316
	<u>1,851</u>	<u>361</u>

2.15 : Changes in inventories of work-in-progress and stock-in-trade

	For the year ended 31 March 2014	For the year ended 31 March 2013
<i>Opening</i>		
Work-in-process	-	83
Stock-in-trade	23,109	14,960
	<u>23,109</u>	<u>15,043</u>
<i>Closing</i>		
Stock-in-trade	39,467	23,109
	<u>39,467</u>	<u>23,109</u>
<i>Net (increase)</i>	<u>(16,358)</u>	<u>(8,066)</u>

2.16 : Employee benefits expense

	For the year ended 31 March 2014	For the year ended 31 March 2013
Salaries, wages and bonus	7,025	2,637
Contribution to provident and other funds	1,876	504
Staff welfare expenses	624	253
	<u>9,525</u>	<u>3,394</u>

2.17 : Finance costs

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest expenses	202	26
	<u>202</u>	<u>26</u>

2.18 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Advertisements	10,140	8,372
Selling expenses	3,149	2,487
Rent	474	191
Provision for doubtful debts and advances	1,845	118
Other general expenses	2,813	1,266
	<u>18,421</u>	<u>12,434</u>

OOO Dr. Reddy's Laboratories Limited

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.19 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.20 : Deferred taxation

Deferred tax asset, net included in the balance sheet comprises the following:

Particulars	As at 31 March 2014	As at 31 March 2013
Deferred tax assets / (liabilities)		
Trade receivables	5	6
Inventories	49	200
Current assets	172	183
Current liabilities	3,307	3,227
Fixed assets	(88)	(10)
Deferred tax asset, net	3,445	3,606

2.21 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
i. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	120,620	103,572
Dr. Reddy's Laboratories SA	9,674	13,015
ii. Sale and service income from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	8,695	5,592
iii. Interest income from holding company and other group companies:		
OOO DRS LLC	38	35

b. The Company has the following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due from holding company and other group companies (included in advances and other assets):		
OOO DRS LLC	609	573
Dr. Reddy's Laboratories Limited	16,195	6,712
Dr. Reddy's Laboratories SA	368	789
ii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	99,115	75,588
Dr. Reddy's Laboratories SA	1,935	11,750

OOO Dr. Reddy's Laboratories Limited

Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.22 : The company has taken buildings under finance lease. Future minimum lease payments under finance leases as at 31 March 2014 are as follows:

Particulars	Present value of minimum lease payments	Future interest	Minimum lease payments
Not later than 1 year	531	500	1,031
Later than 1 year and not later than 5 years	708	463	1,171
Beyond 5 years	-	-	-
Total	1,239	963	2,202

2.22 : Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.23 : The Company, incorporated in Russia, is a 100% subsidiary of Dr. Reddy's Laboratories SA.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for **and on behalf of the Board of Directors**

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

Charles Bulmann

Director

OOO DRS LLC Limited

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in thousands)

Particulars	31 March 2014	31 March 2013
Loss for the year after taxation	(1,966)	(21,665)
Balance brought forward	(55,318)	(33,653)
Balance carried forward to balance sheet	(57,284)	(55,318)

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of loss of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Place: Hyderabad

Date: 9 May 2014

Anna Kuzmina

Director

Auditors' Report

To
The Members of
OOO DRS LLC Limited

We have audited the accompanying financial statements of **OOO DRS LLC Limited**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

OOO DRS LLC Limited**Balance Sheet**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	29,520	29,520
Reserves and surplus	2.2	65,248	67,336
		94,768	96,856
Non current liabilities			
Long term borrowings	2.3	94,273	91,699
		94,273	91,699
Current liabilities			
Other current liabilities	2.4	42,264	43,717
		42,264	43,717
	TOTAL	231,305	232,272
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	206,556	206,990
Capital work-in-progress		6,815	6,815
		213,371	213,805
Current assets			
Cash and bank balances	2.6	431	429
Short term loans and advances	2.7	17,503	18,038
		17,934	18,467
	TOTAL	231,305	232,272

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

*for A Ramachandra Rao & Co.**Chartered Accountants*

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Anna Kuzmina

Director

OOO DRS LLC Limited
Statement of Profit and Loss

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Foreign exchange gain, net		3,900	-
Total revenue		<u>3,900</u>	<u>-</u>
Expenses			
Finance costs	2.8	3,812	3,481
Depreciation expense	2.5	434	1,173
Other expenses	2.9	1,620	17,011
Total expenses		<u>5,866</u>	<u>21,665</u>
Loss before tax		(1,966)	(21,665)
Tax expense		-	-
Loss for the year		<u><u>(1,966)</u></u>	<u><u>(21,665)</u></u>

Significant accounting policies 1
The accompanying notes are an integral part of financial statements

As per our report of even date attached

for A Ramachandra Rao & Co.
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the Board of Directors

Anna Kuzmina
Director

A Ramachandra Rao
Partner
Membership No. 9750

Place: Hyderabad
Date: 9 May 2014

OOO DRS LLC Limited
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("IGAAP") under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Depreciation on tangible fixed assets is provided using the straight-line method based on the useful life of the assets as estimated by Management. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ₹ 5,000/- are depreciated in full in the year of acquisition.

Land is not depreciated.

Depreciation method, useful lives and residual values are reviewed at each reporting date.

Gains or losses from disposal of tangible fixed assets are recognised in the statement of profit and loss.

e) Foreign currency transactions and balances

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

f) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

OOO DRS LLC Limited
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
RUB 18,420,000 (previous year : RUB 18,420,000)*	<u>29,520</u>	<u>29,520</u>
Issued		
RUB 18,420,000 (previous year : RUB 18,420,000)*	<u>29,520</u>	<u>29,520</u>
Subscribed and paid-up		
RUB 18,420,000 (previous year : RUB 18,420,000)*	<u>29,520</u>	<u>29,520</u>
	<u>29,520</u>	<u>29,520</u>

* No concept of nature and number of shares in this Company.

Details of shareholders holding more than 5% shares capital in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	Amount in RUB ('000)	% of equity shares	Amount in RUB ('000)	% of equity shares
Eurobridge Consulting B.V.	18,420	100	18,420	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Foreign currency translation reserve		
Balance at the beginning of the year	122	122
Movement during the year	<u>(122)</u>	<u>-</u>
	<u>-</u>	<u>122</u>
Securities premium reserve		
Balance at the beginning of the year	122,532	122,532
Movement during the year	<u>-</u>	<u>-</u>
	<u>122,532</u>	<u>122,532</u>
Deficit		
Balance at the beginning of the year	(55,318)	(33,653)
Add: Current year loss	<u>(1,966)</u>	<u>(21,665)</u>
Balance carried forward	<u>(57,284)</u>	<u>(55,318)</u>
	<u>65,248</u>	<u>67,336</u>

2.3 : Long term borrowings

	As at 31 March 2014	As at 31 March 2013
Borrowings from holding company and other group companies	<u>94,273</u>	<u>91,699</u>
	<u>94,273</u>	<u>91,699</u>

2.4 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Other current liabilities	<u>42,264</u>	<u>43,717</u>
	<u>42,264</u>	<u>43,717</u>

OOO DRS LLC Limited
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.5 : Fixed assets

Description	Gross Block				Depreciation				Net Block	
	As at 01.04.2013	Additions	Deletions	As at 31.03.2014	As at 01.04.2013	For the year	Deletions	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Land	205,449	-	-	205,449	-	-	-	-	205,449	205,449
Building	3,822	-	-	3,822	2,281	434	-	2,715	1,107	1,541
Total Tangible Assets	209,271	-	-	209,271	2,281	434	-	2,715	206,556	206,990
Previous year	223,698	-	14,427	209,271	1,111	1,173	3	2,281	206,990	

OOO DRS LLC Limited
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.6 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Bank balances		
In current accounts	431	429
	<u>431</u>	<u>429</u>

2.7 : Short term loans and advances

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
<i>Considered good</i>		
Balances with statutory agencies	332	342
Other advances	17,171	17,696
	<u>17,503</u>	<u>18,038</u>

2.8 : Finance costs

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest expenses	3,812	3,481
	<u>3,812</u>	<u>3,481</u>

2.9 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Legal and professional	913	1,020
Rates and taxes	705	974
Foreign exchange loss, net	-	1,047
Other general expenses	2	13,970
	<u>1,620</u>	<u>17,011</u>

OOO DRS LLC Limited
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.10: Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.11 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
i. Interest paid / payable to holding company and other group companies:		
OOO Dr. Reddy's Laboratories Limited	3,812	3,481

b. The Company has the following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due to holding company and other group companies (included in long term borrowings):		
OOO Dr. Reddy's Laboratories Limited	60,855	57,259
Reddy Antilles N.V.	33,418	34,440

2.12 : Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.13 : The Company, incorporated under the laws of Russia, is a 100% subsidiary of Eurobridge Consulting B.V.

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the **Board of Directors**

A Ramachandra Rao
Partner
Membership No. 9750

Anna Kuzmina
Director

Place: Hyderabad
Date: 9 May 2014

Promius Pharma LLC

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in lakhs)

Particulars	31 March 2014	31 March 2013
Loss for the year after taxation	(11,998)	(6,390)
Balance brought forward	(30,538)	(24,148)
Balance carried forward to balance sheet	(42,536)	(30,538)

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of loss of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2014

G.V. Prasad
Director

Auditors' Report

To
The Members of
Promius Pharma LLC

We have audited the accompanying financial statements of **Promius Pharma LLC**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**

Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

Promius Pharma LLC**Balance Sheet**

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	17,127	17,127
Reserves and surplus	2.2	(43,407)	(30,183)
		<u>(26,280)</u>	<u>(13,056)</u>
Non current liabilities			
Long term borrowings	2.3	-	3
Other long term liabilities	2.4	1,126	1,293
		<u>1,126</u>	<u>1,296</u>
Current liabilities			
Trade payables	2.5	-	178
Other current liabilities	2.4	42,344	31,250
Short term provisions	2.6	1,061	1,620
		<u>43,405</u>	<u>33,048</u>
	TOTAL	<u>18,251</u>	<u>21,288</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	6	19
Intangible assets	2.7	14,919	16,221
Capital work-in-progress		99	-
Long term loans and advances	2.8	20	16
		<u>15,044</u>	<u>16,255</u>
Current assets			
Inventories	2.9	676	575
Trade receivables	2.10	147	2,677
Cash and bank balances	2.11	319	300
Short term loans and advances	2.12	1,857	1,225
Other current assets	2.13	208	256
		<u>3,207</u>	<u>5,033</u>
	TOTAL	<u>18,251</u>	<u>21,288</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Satish Reddy

Director

G.V. Prasad

Director

Promius Pharma LLC
Statement of Profit and Loss

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Sales, net		16,678	14,682
Other operating revenues		4	91
Total revenue		16,682	14,773
Expenses			
Purchase of stock-in-trade (traded goods)		1,721	1,459
Changes in inventory of stock-in-trade	2.14	(101)	(82)
Conversion charges		31	68
Employee benefits expense	2.15	6,869	6,297
Interest Expenses		80	32
Depreciation and amortization expense	2.7	3,026	2,814
Research and development		9,377	1,634
Other expenses	2.16	7,677	8,941
Total expenses		28,680	21,163
Profit / (Loss) before tax		(11,998)	(6,390)
Tax expense	2.19	-	-
Profit / (Loss) for the year		(11,998)	(6,390)

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao

Partner

Membership No. 9750

Satish Reddy

Director

Place: Hyderabad

Date: 9 May 2014

G.V. Prasad

Director

Promius Pharma LLC
Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“IGAAP”) under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

Assets:

An asset is classified as current when it satisfies any of the following criteria:

- a) it is expected to be realised in, or is intended for sale or consumption in, the Company’s normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is expected to be realised within 12 months after the reporting date; or
- d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Liabilities:

A liability is classified as current when it satisfies any of the following criteria:

- a) it is expected to be settled in the Company’s normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is due to be settled within 12 months after the reporting date; or
- d) the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets/ liabilities include the current portion of non-current financial assets/ liabilities respectively. All other assets/ liabilities are classified as non-current.

e) Intangible assets and amortisation

Intangible assets are recorded at the consideration paid for acquisition including any import duties and other taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use.

Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives, commencing from the date the asset is available to the Company for its use.

The management estimate of the useful life of the intangible assets is 8 years.

The amortisation period and the amortisation method for intangible assets are reviewed at each financial year-end.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and disposal. Gains or losses arising from the disposal of intangible asset are recognised in the statement of profit and loss.

Promius Pharma LLC
Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

f) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value (NRV) is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of all categories of inventory is determined using weighted average cost method.

g) Employee benefits

Defined contribution plans

Contributions payable, employee pension and social security schemes, which are defined contribution schemes, are charged to the statement of profit and loss account.

h) Research and development

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized in the statement of profit and loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if the enterprise can demonstrate all of the following:

- a. the product or the process is technically and commercially feasible;
- b. future economic benefits are probable and ascertainable;
- c. the Group intends to and has sufficient resources to complete development of the product and has the ability to use or sell the asset; and
- d. development costs can be measured reliably.

i) Foreign currency transactions and balances

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

j) Revenue recognition

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is reasonably certain, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenue from the sale of goods is net of returns, sales tax and applicable trade discounts and allowances.

Provision for chargeback, rebates and discounts

Accrual for chargeback, rebates, discounts and medicaid payments are estimated and provided for in the year of sales and recorded as reduction of revenue. A chargeback claim is a claim made by the wholesaler for the difference between the price at which the product is initially invoiced to the wholesaler and the net price at which it is agreed to be procured from the Company. Accrual for such chargeback is made considering the factors such as historical average chargeback rate actually claimed over a period of time, current contract prices with wholesalers / other customers and estimated inventory holding by the wholesaler.

Sales returns

The Company accounts for sales returns by recording an allowance for sales returns concurrent with the recognition of revenue at the time of a product sale. This allowance is based on the Company's estimate of expected sales returns.

Promius Pharma LLC
Significant accounting policies

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

k) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Promius Pharma LLC
Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
USD 38,760,000 (previous year : USD 38,760,000)*	<u>17,127</u>	<u>17,127</u>
Issued		
USD 38,760,000 (previous year : USD 38,760,000)*	<u>17,127</u>	<u>17,127</u>
Subscribed and paid-up		
USD 38,760,000 (previous year : USD 38,760,000)*	<u>17,127</u>	<u>17,127</u>
	<u>17,127</u>	<u>17,127</u>

* No concept of nature and number of shares in this company.

Details of shareholders holding more than 5% shares capital in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	Amount in USD ('lakhs)	% of equity shares	Amount in USD ('lakhs)	% of equity shares
Dr. Reddy's Laboratories Inc.	388	100	388	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Foreign currency translation reserve		
Balance at the beginning of the year	354	753
Movement during the year	<u>(1,225)</u>	<u>(399)</u>
	<u>(871)</u>	<u>354</u>
Securities premium reserve		
Balance at the beginning of the year	-	5
Movement during the year	<u>-</u>	<u>(5)</u>
	<u>-</u>	<u>-</u>
Deficit		
Balance at the beginning of the year	(30,538)	(24,148)
Add: Current year loss	<u>(11,998)</u>	<u>(6,390)</u>
Balance carried forward	<u>(42,536)</u>	<u>(30,538)</u>
	<u>(43,407)</u>	<u>(30,183)</u>

2.3 : Long term borrowings

	As at 31 March 2014	As at 31 March 2013
Long term maturities of finance lease obligations	<u>-</u>	<u>3</u>
	<u>-</u>	<u>3</u>

2.4 : Other liabilities

a) Other long term liabilities

	As at 31 March 2014	As at 31 March 2013
Other liabilities - non current	<u>1,126</u>	<u>1,293</u>
	<u>1,126</u>	<u>1,293</u>

Promius Pharma LLC
Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

b) Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Current maturities of finance lease obligations	5	14
Due to capital creditors	-	3
Due to holding company and other group companies	36,913	27,065
Accrued expenses	2,196	2,918
Salary and bonus payable	824	714
Others	2,406	536
	<u>42,344</u>	<u>31,250</u>

2.5 : Trade Payables

	As at 31 March 2014	As at 31 March 2013
Trade payable	-	178
	<u>-</u>	<u>178</u>

2.6 : Short term provisions

	As at 31 March 2014	As at 31 March 2013
Provision for employee benefits	16	15
Allowance for sales returns	1,045	1,605
	<u>1,061</u>	<u>1,620</u>

Promius Pharma LLC
Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.7 : Fixed assets

Description	Gross Block					Depreciation / Amortization					Net Block	
	As at 01.04.2013	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 01.04.2013	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Office equipment	234	-	4	25	255	215	15	4	23	249	6	19
Total tangible assets (A)	234	-	4	25	255	215	15	4	23	249	6	19
Intangibles	24,258	-	-	2,515	26,773	8,037	3,011	-	806	11,854	14,919	16,221
Total intangible assets (B)	24,258	-	-	2,515	26,773	8,037	3,011	-	806	11,854	14,919	16,221
Total (A+B)	24,492	-	4	2,540	27,028	8,252	3,026	4	829	12,103	14,925	16,240
Previous year	22,954	1	-	1,537	24,492	5,104	2,814	-	334	8,252	16,240	

Promius Pharma LLC
Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.8 : Long term loans and advances

(Unsecured)	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Advance tax, net of provision for income taxes	15	7
Security deposits	5	8
	<u>20</u>	<u>16</u>

2.9 : Inventories
(Valued on weighted average basis)

	As at 31 March 2014	As at 31 March 2013
Stock-in-trade	676	575
	<u>676</u>	<u>575</u>

2.10 : Trade receivables

(Unsecured)	As at 31 March 2014	As at 31 March 2013
Debts outstanding for a period exceeding six months	-	-
Other debts		
Considered good	147	2,677
	<u>147</u>	<u>2,677</u>

2.11 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Bank balances		
In current accounts	319	300
	<u>319</u>	<u>300</u>

2.12 : Short term loans and advances

(Unsecured)	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Advances to material suppliers	189	269
Prepaid expenses	149	93
Other advances	1,519	863
<i>Considered doubtful</i>		
Other advances recoverable in cash or in kind or for value to be received	2	-
	<u>1,859</u>	<u>1,225</u>
Less : Provision for doubtful loans and advances	(2)	-
	<u>1,857</u>	<u>1,225</u>

Promius Pharma LLC
Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.13 : Other current assets

	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Other receivables from holding company and other group companies	208	256
	<u>208</u>	<u>256</u>

2.14 : Changes in inventory of stock-in-trade

	For the year ended 31 March 2014	For the year ended 31 March 2013
<i>Opening</i>		
Stock-in-trade	575	493
<i>Closing</i>		
Stock-in-trade	676	575
<i>Net (Increase)</i>	<u>(101)</u>	<u>(82)</u>

2.15 : Employee benefits expense

	For the year ended 31 March 2014	For the year ended 31 March 2013
Salaries, wages and bonus	5,820	5,373
Contribution to provident and other funds	497	415
Staff welfare expenses	552	509
	<u>6,869</u>	<u>6,297</u>

2.16 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Legal and professional	413	305
Carriage outward	39	58
Rates and taxes	152	124
Selling expenses	3,692	5,441
Travelling and conveyance	597	376
Rent	374	237
Insurance	7	44
Foreign exchange loss, net	5	-
Provision on doubtful advances and receivables	2	-
Advertisements	231	324
Other general expenses	2,165	2,032
	<u>7,677</u>	<u>8,941</u>

2.17 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

Promius Pharma LLC
Notes to Financial Statements

(All amounts in Indian Rupees lakhs, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.18 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
i. Sales and services rendered to holding company and other group companies:		
Dr. Reddy's Laboratories Inc.	860	-
ii. Reimbursement of operating expenses by holding company and other group companies:		
Dr. Reddy's Laboratories Limited	185	134
Dr. Reddy's Laboratories (Australia) Pty. Limited	105	-

b. The Company has the following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due from holding company and other group companies (included in other current assets):		
Dr. Reddy's Laboratories Limited	207	256
Dr. Reddy's Laboratories New York Inc.	1	-
ii. Due to holding company and other group companies (included in other current liabilities):		
Dr. Reddy's Laboratories Inc.	36,913	27,065
iii. Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's Laboratories (Australia) Pty. Limited	105	-

2.19 : Tax expense for the company is computed and presented together with the parent company's (Dr. Reddy's Laboratories Inc.) financial statements as per the tax laws of the United States.

2.20 : Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.21 : The Company, incorporated in the United States of America, is a 100% subsidiary of Dr. Reddy's Laboratories Inc.

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

G.V. Prasad
Director

Place: Hyderabad
Date: 9 May 2014

Reddy Antilles N.V.

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in thousands)

Particulars	31 March 2014	31 March 2013
Loss for the year after taxation	(232,033)	(60,849)
Balance brought forward	83,058	143,907
Balance carried forward to balance sheet	(148,975)	83,058

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of loss of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Place: Hyderabad
Date: 9 May 2014

Satish Reddy
Director

Auditors' Report

To
The Members of
Reddy Antilles N.V.

We have audited the accompanying financial statements of **Reddy Antilles N.V.**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**

Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

Reddy Antilles N.V.**Balance Sheet**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	52,279	52,279
Reserves and surplus	2.2	(148,975)	83,058
		(96,696)	135,337
Non current liabilities			
Long term borrowings	2.3	311,137	281,900
		311,137	281,900
Current liabilities			
Other current liabilities	2.4	19,184	17,533
Short term provisions	2.5	30	27
		19,214	17,560
	TOTAL	233,655	434,797
ASSETS			
Non current assets			
Non current investments	2.6	159,500	364,394
Long term loans and advances	2.7	68,174	65,498
		227,674	429,892
Current assets			
Cash and bank balances	2.8	3,640	2,272
Short term loans and advances	2.9	2,204	2,568
		5,844	4,840
	TOTAL	233,518	434,732

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.***Chartered Accountants*

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Satish Reddy

Director

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

Reddy Antilles N.V.
Statement of Profit and Loss

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Total revenue		-	-
Expenses			
Loss on disposal of investment		204,894	7,449
Other expenses	2.10	27,139	53,400
Total expenses		232,033	60,849
Loss before tax		(232,033)	(60,849)
Tax expense		-	-
Loss for the year		(232,033)	(60,849)

Significant accounting policies 1
The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2014

Reddy Antilles N.V.
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“IGAAP”) under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Investments

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as non-current investments.

Non-current investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment. The reduction in the carrying amount is reversed when there is a rise in the value of the investment or if the reasons for the reduction no longer exist. Any reduction in the carrying amount and any reversal in such reductions are charged or credited to the statement of profit and loss.

e) Foreign currency transactions and balances

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

f) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Reddy Antilles N.V.
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
1,131,646 shares (Previous year : 1,131,646) of USD 1 each	<u>52,279</u>	<u>52,279</u>
Issued		
1,131,646 shares (Previous year : 1,131,646) of USD 1 each	<u>52,279</u>	<u>52,279</u>
Subscribed and paid-up		
1,131,646 shares (Previous year : 1,131,646) of USD 1 each	<u>52,279</u>	<u>52,279</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	1,131,646	52,279	500,000	17,969
Shares issued during the year	-	-	631,646	34,310
Number of shares outstanding at the end of the year	1,131,646	52,279	1,131,646	52,279

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of U.S.\$ 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Dr. Reddy's Laboratories Limited	1,131,646	100	1,131,646	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Securities premium reserve		
Balance at the beginning of the year	-	26,705
Movement during the period	<u>-</u>	<u>(26,705)</u>
	<u>-</u>	<u>-</u>
Surplus / (Deficit)		
Balance at the beginning of the year	83,058	143,907
Add: Current year loss	<u>(232,033)</u>	<u>(60,849)</u>
Balance carried forward	<u>(148,975)</u>	<u>83,058</u>
	<u>(148,975)</u>	<u>83,058</u>

2.3 : Long term borrowings

	As at 31 March 2014	As at 31 March 2013
Borrowings from holding company and other group companies	<u>311,137</u>	<u>281,900</u>
	<u>311,137</u>	<u>281,900</u>

Reddy Antilles N.V.
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.4 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Due to holding company and other group companies	19,184	16,275
Others	-	1,258
	<u>19,184</u>	<u>17,533</u>

2.5 : Short term provisions

	As at 31 March 2014	As at 31 March 2013
Income tax payable	30	27
	<u>30</u>	<u>27</u>

2.6 : Non current investments

	As at 31 March 2014	As at 31 March 2013
Non current investments at cost		
<i>In Subsidiary Companies</i>		
Eurobridge Consulting B.V.	159,500	159,500
Reddy US Therapeutics Inc.	-	204,894
	<u>159,500</u>	<u>364,394</u>

2.7 : Long term loans and advances

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
<i>Considered good</i>		
Loan to holding company and other group companies	68,174	65,498
	<u>68,174</u>	<u>65,498</u>

2.8 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Bank balances		
In current accounts	3,640	2,272
	<u>3,640</u>	<u>2,272</u>

2.9 : Short term loans and advances

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
<i>Considered good</i>		
Advances to material suppliers	908	822
Prepaid expenses	63	60
Other advances	1,233	1,686
	<u>2,204</u>	<u>2,568</u>

Reddy Antilles N.V.
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.10 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Legal and professional	1,150	1,171
Foreign exchange loss, net	25,860	13,729
Other general expenses	201	38,565
	27,211	53,465
	27,211	53,465

2.11 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.12 : Related party disclosures

The Company has following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due from holding company and other group companies (included in long term loans and advances):		
Reddy Netherlands B.V	32,428	28,989
OOO DRS LLC	33,418	34,440
Eurobridge Consulting B.V.	2,328	2,069
ii. Due to holding company and other group companies (included in long term borrowings and other current liabilities):		
Dr. Reddy's Laboratories Limited	330,321	298,175

2.13 : Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.14 : The Company, incorporated in Netherlands, is a 100% subsidiary of Dr. Reddy's Laboratories Limited.

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the Board of Directors

Satish Reddy
Director

A Ramachandra Rao
Partner
Membership No. 9750

Place: Hyderabad
Date: 9 May 2014

Reddy Cheminor S.A.

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in thousands)

Particulars	31 March 2014	31 March 2013
Profit / (Loss) for the year after taxation	102	(1)
Balance brought forward	(2,025)	(2,024)
Balance carried forward to balance sheet	(1,923)	(2,025)

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of profit of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. The accounts of the company are not prepared on going concern basis as the company is under liquidation.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Place: Hyderabad
Date: 9 May 2014

Satish Reddy
Director

Auditors' Report

To
The Members of
Reddy Cheminor S.A.

We have audited the accompanying financial statements of **Reddy Cheminor S.A.**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the profit for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

Reddy Cheminor S.A.**Balance Sheet**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,958	1,958
Reserves and surplus	2.2	(1,923)	(2,025)
		<u>35</u>	<u>(67)</u>
Current liabilities			
Trade payables	2.3	-	5,329
		<u>-</u>	<u>5,329</u>
	TOTAL	<u><u>35</u></u>	<u><u>5,262</u></u>
ASSETS			
Current assets			
Cash and bank balances	2.4	35	30
Short term loans and advances	2.5	-	2,299
Other current assets	2.6	-	2,933
		<u>35</u>	<u>5,262</u>
	TOTAL	<u><u>35</u></u>	<u><u>5,262</u></u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.***Chartered Accountants*

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Satish Reddy

Director

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

Reddy Cheminor S.A.
Statement of Profit and Loss

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Other income		156	-
Total revenue		<u>156</u>	<u>-</u>
Expenses			
Foreign exchange loss, net		54	1
Total expenses		<u>54</u>	<u>1</u>
Profit / (Loss) before tax		102	(1)
Tax expense		-	-
Profit / (Loss) for the year		<u><u>102</u></u>	<u><u>(1)</u></u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao

Partner

Membership No. 9750

Satish Reddy

Director

Place: Hyderabad

Date: 9 May 2014

Reddy Cheminor S.A.
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) *Basis of preparation of financial statements*

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“IGAAP”) under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

The Board of Directors of the Company resolved to dissolve the entity and hence the accounts of the company are not prepared on going concern basis.

b) *Use of estimates*

The preparation of the financial statements in conformity with IGAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) *Current and non-current classification*

All the assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

Reddy Cheminor S.A.
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
2,500 (previous year : 2,500) shares of Euro 16 each	<u>1,958</u>	<u>1,958</u>
Issued		
2,500 (previous year : 2,500) shares of Euro 16 each	<u>1,958</u>	<u>1,958</u>
Subscribed and paid-up		
2,500 (previous year : 2,500) shares of Euro 16 each	<u>1,958</u>	<u>1,958</u>
	<u>1,958</u>	<u>1,958</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	2,500	1,958	2,500	1,958
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	2,500	1,958	2,500	1,958

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of EUR 16 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Dr. Reddy's Laboratories Limited	2,500	100	2,500	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Deficit		
Balance at the beginning of the year	(2,025)	(2,024)
Add: Current year profit / (loss)	<u>102</u>	<u>(1)</u>
Balance carried forward	<u>(1,923)</u>	<u>(2,025)</u>

2.3 : Trade payables

	As at 31 March 2014	As at 31 March 2013
Trade payable	<u>-</u>	<u>5,329</u>
	<u>-</u>	<u>5,329</u>

Reddy Cheminor S.A.
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.4 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Cash on hand	35	30
	<u>35</u>	<u>30</u>

2.5 : Short term loans and advances

	As at 31 March 2014	As at 31 March 2013
(Unsecured) <i>Considered good</i>		
Other advances	-	2,299
	<u>-</u>	<u>2,299</u>

2.6 : Other current assets

	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Other current assets	-	2,933
	<u>-</u>	<u>2,933</u>

2.7 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.8 : Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.9 : The Company, incorporated in France, is a 100% subsidiary of Dr. Reddy's Laboratories Limited.

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2014

Reddy Holding GmbH

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in thousands)

Particulars	31 March 2014	31 March 2013
Loss for the year after taxation	(1,672,625)	(810)
Balance brought forward	(7,391,067)	(7,390,257)
Balance carried forward to balance sheet	(9,063,692)	(7,391,067)

Share Capital

During the year, the Company has received additional investment in equity shares, from the Holding Company - Dr. Reddy's Laboratories, SA, Switzerland, thereby increasing its paid up capital from Euro 25,000 to Euro 27,000.

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of loss of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Place: Hyderabad
Date: 9 May 2014

Michael Ewers
Director

Auditors' Report

To
The Members of
Reddy Holding GmbH

We have audited the accompanying financial statements of **Reddy Holding GmbH**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

Reddy Holding GmbH**Balance Sheet**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,519	1,350
Reserves and surplus	2.2	3,901,860	(4,704,443)
		<u>3,903,379</u>	<u>(4,703,093)</u>
Non current liabilities			
Long term borrowings	2.3	27,094,123	27,712,170
Other long term liabilities	2.4	-	65
		<u>27,094,123</u>	<u>27,712,235</u>
Current liabilities			
Short term borrowings	2.3	-	3,128,383
Other current liabilities	2.4	143,084	902,624
Short term provisions	2.5	576,107	110,988
		<u>719,191</u>	<u>4,141,995</u>
	TOTAL	<u>31,716,693</u>	<u>27,151,137</u>
ASSETS			
Non current assets			
Non current investments	2.6	26,063,322	26,063,322
Deferred tax assets, net	2.16	115,677	369,886
Long term loans and advances	2.7	5,474,128	-
		<u>31,653,127</u>	<u>26,433,208</u>
Current assets			
Cash and bank balances	2.8	63,373	3,683
Short term loans and advances	2.9	193	426,739
Other current assets	2.10	-	287,507
		<u>63,566</u>	<u>717,929</u>
	TOTAL	<u>31,716,693</u>	<u>27,151,137</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Michael Ewers

Director

Reddy Holding GmbH
Statement of Profit and Loss

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Other operating revenues		29,717	245,407
Revenue from operations		29,717	245,407
Other income	2.11	225,440	923,370
Total revenue		255,157	1,168,777
Expenses			
Employee benefits expense	2.12	161,511	182,146
Finance costs	2.13	744,853	852,175
Other expenses	2.14	84,303	106,231
Total expenses		990,667	1,140,552
Profit / (Loss) before tax		(735,510)	28,225
Tax expense	2.18		
Current tax		604,973	29,035
Deferred tax		332,142	-
Loss for the year		(1,672,625)	(810)

Significant accounting policies 1
The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the Board of Directors

Michael Ewers
Director

A Ramachandra Rao
Partner
Membership No. 9750

Place: Hyderabad
Date: 9 May 2014

Reddy Holding GmbH
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“IGAAP”) under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

g) Employee benefits

Defined contribution plans

Contributions payable, employee pension and social security schemes, which are defined contribution schemes, are charged to the statement of profit and loss account.

h) Foreign currency transactions and balances

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

i) Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

j) Income-tax expense

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

Deferred tax assets are reviewed at each balance sheet date and are written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Reddy Holding GmbH
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

j) Income-tax expense (continued)

Offsetting

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis.

k) Investments

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as non-current investments.

Non-current investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment. The reduction in the carrying amount is reversed when there is a rise in the value of the investment or if the reasons for the reduction no longer exist. Any reduction in the carrying amount and any reversal in such reductions are charged or credited to the statement of profit and loss.

l) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Reddy Holding GmbH
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
Euro 27,000 (previous year : 25,000 Euro)	<u>1,519</u>	<u>1,350</u>
Issued		
Euro 27,000 (previous year : 25,000 Euro)	<u>1,519</u>	<u>1,350</u>
Subscribed and paid-up		
Euro 27,000 (previous year : 25,000 Euro)	<u>1,519</u>	<u>1,350</u>
	<u>1,519</u>	<u>1,350</u>

* No concept of nature and number of shares in this company.

Details of shareholders holding more than 5% shares capital in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	Amount in Euros ('000)	% of equity shares	Amount in Euros ('000)	% of equity shares
Lacock holdings Limited	-	-	25	100
Dr. Reddy's Laboratories SA	27	100	-	-

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Foreign currency translation reserve		
Balance at the beginning of the year	(3,268,082)	(198,161)
Movement during the year	<u>(5,782,274)</u>	<u>(3,069,921)</u>
	<u>(9,050,356)</u>	<u>(3,268,082)</u>
Securities premium reserve		
Balance at the beginning of the year	5,954,706	5,954,706
Movement during the year	<u>16,061,202</u>	<u>-</u>
	<u>22,015,908</u>	<u>5,954,706</u>
Deficit		
Balance at the beginning of the year	(7,391,067)	(7,390,257)
Add: Current year profit	<u>(1,672,625)</u>	<u>(810)</u>
Balance carried forward	<u>(9,063,692)</u>	<u>(7,391,067)</u>
	<u>3,901,860</u>	<u>(4,704,443)</u>

2.3 : Borrowings

	As at 31 March 2014	As at 31 March 2013
a) Long term borrowings		
Borrowings from holding company and other group companies	<u>27,094,123</u>	<u>27,712,170</u>
	<u>27,094,123</u>	<u>27,712,170</u>

Reddy Holding GmbH
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.3 : Borrowings (continued)

b) Short term borrowings

Short term loan from banks

	As at 31 March 2014	As at 31 March 2013
	-	3,128,383
	<u>-</u>	<u>3,128,383</u>

2.4 : Other liabilities

a) Other long term liabilities

Other liabilities - non current

	As at 31 March 2014	As at 31 March 2013
	-	65
	<u>-</u>	<u>65</u>

b) Other current liabilities

Accrued expenses

Due to holding company and other group companies

Others

	As at 31 March 2014	As at 31 March 2013
	69,196	13,899
	43,762	-
	30,126	888,725
	<u>143,084</u>	<u>902,624</u>

2.5 : Short term provisions

Income tax payable

	As at 31 March 2014	As at 31 March 2013
	576,107	110,988
	<u>576,107</u>	<u>110,988</u>

2.6 : Non current investments

Non current investments at cost

In Subsidiary companies

	As at 31 March 2014	As at 31 March 2013
	26,063,322	26,063,322
	<u>26,063,322</u>	<u>26,063,322</u>

2.7 : Long term loans and advances

(Unsecured)

Considered good

Security deposits

Loans and advances to holding company and other group companies

	As at 31 March 2014	As at 31 March 2013
	576	-
	5,473,552	-
	<u>5,474,128</u>	<u>-</u>

Reddy Holding GmbH
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.8 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Cash on hand	193	-
Bank balances		
In current accounts	63,180	3,683
	<u>63,373</u>	<u>3,683</u>

2.9 : Short term loans and advances

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
<i>Considered good</i>		
Advances to material suppliers	23	425,697
Staff loans and advances	170	1,042
	<u>193</u>	<u>426,739</u>

2.10 : Other current assets

	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Other current assets	-	287,507
	<u>-</u>	<u>287,507</u>

2.11 : Other income

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest income	225,440	20
Miscellaneous	-	923,350
	<u>225,440</u>	<u>923,370</u>

2.12 : Employee benefits expense

	For the year ended 31 March 2014	For the year ended 31 March 2013
Salaries, wages and bonus	137,022	158,527
Contribution to provident and other funds	17,548	17,814
Staff welfare expenses	6,941	5,805
	<u>161,511</u>	<u>182,146</u>

2.13 : Finance costs

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest expenses	744,853	852,175
	<u>744,853</u>	<u>852,175</u>

Reddy Holding GmbH
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.14 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Legal and professional	18,155	18,123
Communication	12,152	13,071
Other general expenses	53,996	75,037
	84,303	106,231

2.15 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.16 : Deferred taxation

Deferred tax asset, net included in the balance sheet comprises the following:

Particulars	As at 31 March 2014	As at 31 March 2013
Deferred tax assets / (liabilities)		
Current assets	147,993	163,122
Loss carry forward	-	270,339
Trade receivables	57,050	47,949
Current Liabilities	51,249	31,766
Inventory	(7,965)	(6,694)
Fixed assets	(132,650)	(136,596)
Deferred tax asset, net	115,677	369,886

2.17 : Related party disclosures

a. The Company has the following amounts due from / to related parties:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
i. Interest paid / payable to holding company and other group companies:		
Dr. Reddy's Laboratories SA	18,346	34,313
Lacock Holdings Limited	624,705	616,450
ii. Interest income from holding company and other group companies:		
betapharm Arzneimittel GmbH	162,608	-
Dr. Reddy's Laboratories SA	62,832	-

b. The Company has following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due to holding company and other group companies (included in borrowings and trade payables):		
Dr. Reddy's Laboratories SA	-	1,316,198
Lacock Holdings Limited	27,094,123	23,557,810
Dr. Reddy's Laboratories Limited	43,762	2,838,162
ii. Due from holding company and other group companies (included in long term loans and advances):		
betapharm Arzneimittel GmbH	5,473,552	-

Reddy Holding GmbH
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.18 : The total tax expense for the Company is computed and presented jointly with its subsidiaries as per the tax laws of Germany.

2.19 : Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.20 : The Company, incorporated in Germany, is a 100% subsidiary of Dr. Reddy's Laboratories SA.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for **and on behalf of the Board of Directors**

Michael Ewers

Director

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

Reddy Specialities GmbH

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in thousands)

Particulars	31 March 2014	31 March 2013
Loss for the year after taxation	(332)	-
Balance brought forward	(47,299)	(47,299)
Balance carried forward to Balance Sheet	(47,631)	(47,299)

Change of name

The Company changed its name from Reddy beta GmbH to Reddy Specialities GmbH with effect from 4 November 2013.

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of loss of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Michael Ewers
Director

Place: Hyderabad
Date: 9 May 2014

Abhijit Mukherjee
Director

Auditors' Report

To
The Members of
Reddy Specialities GmbH

We have audited the accompanying financial statements of **Reddy Specialities GmbH**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
 - c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**

Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

Reddy Specialities GmbH**Balance Sheet**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,350	1,350
Reserves and surplus	2.2	377	387
		<u>1,727</u>	<u>1,737</u>
Current liabilities			
Other current liabilities	2.3	168	82
		<u>168</u>	<u>82</u>
	TOTAL	<u>1,895</u>	<u>1,819</u>
ASSETS			
Current assets			
Cash and bank balances	2.4	1,869	1,560
Short term loans and advances	2.5	-	73
Other current assets	2.6	26	186
		<u>1,895</u>	<u>1,819</u>
	TOTAL	<u>1,895</u>	<u>1,819</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

*for A Ramachandra Rao & Co.**Chartered Accountants*

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Michael Ewers

Director

Abhijit Mukherjee

Director

Reddy Specialities GmbH**Statement of Profit and Loss**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Other income	2.7	<u>2</u>	<u>2</u>
Total revenue		<u>2</u>	<u>2</u>
Expenses			
Finance costs		2	
Other expenses	2.8	<u>332</u>	<u>2</u>
Total expenses		<u>334</u>	<u>2</u>
Loss before tax		(332)	-
Tax expense	2.10	<u>-</u>	<u>-</u>
Loss for the year		<u>(332)</u>	<u>-</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Michael Ewers

Director

Abhijit Mukherjee

Director

Reddy Specialities GmbH
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) *Basis of preparation of financial statements*

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“IGAAP”) under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) *Use of estimates*

The preparation of the financial statements in conformity with IGAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) *Current and non-current classification*

All the assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) *Interest income*

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

e) *Provisions, contingent liabilities and contingent assets*

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Reddy Specialities GmbH

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
Euro 25,000 (previous year : Euro 25,000)*	<u>1,350</u>	<u>1,350</u>
Issued		
Euro 25,000 (previous year : Euro 25,000)*	<u>1,350</u>	<u>1,350</u>
Subscribed and paid-up		
Euro 25,000 (previous year : Euro 25,000)*	<u>1,350</u>	<u>1,350</u>
	<u>1,350</u>	<u>1,350</u>

* No concept of nature and number of shares in this company

Details of shareholders holding more than 5% shares capital in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	Amount in Euros ('000)	% of equity shares	Amount in Euros ('000)	% of equity shares
Reddy Holding GmbH	25	100	25	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Foreign currency translation reserve		
Balance at the beginning of the year	47,686	47,250
Movement during the year	<u>322</u>	<u>436</u>
	<u>48,008</u>	<u>47,686</u>
Deficit		
Balance at the beginning of the year	(47,299)	(47,299)
Add: Current year loss	<u>(332)</u>	<u>-</u>
Balance carried forward	<u>(47,631)</u>	<u>(47,299)</u>
	<u>377</u>	<u>387</u>

2.3 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Other current liabilities	<u>168</u>	<u>82</u>
	<u>168</u>	<u>82</u>

2.4 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Bank balances		
In current accounts	<u>1,869</u>	<u>1,560</u>
	<u>1,869</u>	<u>1,560</u>

Reddy Specialities GmbH
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.5 : Short term loans and advances

(Unsecured)	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Advances to material suppliers	-	72
Advance tax, net of provision for income taxes	-	1
	-	73

2.6 : Other current assets

<i>Considered good</i>	As at 31 March 2014	As at 31 March 2013
Other current assets	26	186
	26	186

2.7 : Other income

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest income	2	2
	2	2

2.8 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Legal and professional	295	-
Rates and taxes	15	-
Other general expenses	22	2
	332	2

2.9 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.10 : The tax expense for the company is computed and presented together with the parent company's (Reddy holdings GmbH) financial as per the tax laws of Germany.

2.11 : Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.12 : The Company, incorporated in Germany, is a 100% subsidiary of Reddy Holding GmbH.

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

A Ramachandra Rao
Partner
Membership No. 9750

Place: Hyderabad
Date: 9 May 2014

for **and on behalf of the Board of Directors**

Michael Ewers
Director

Abhijit Mukherjee
Director

Reddy Netherlands B.V.

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in thousands)

Particulars	31 March 2014	31 March 2013
Profit / (Loss) for the year after taxation	164,296	(180,162)
Balance brought forward	(209,148)	(28,986)
Balance carried forward to balance sheet	(44,852)	(209,148)

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of profit of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Place: Hyderabad
Date: 9 May 2014

Satish Reddy
Director

Auditors' Report

To
The Members of
Reddy Netherlands B.V.

We have audited the accompanying financial statements of **Reddy Netherlands B.V.**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the profit for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN: 002857S

A. Ramachandra Rao

Partner

Membership No.: 9750

Place: Hyderabad

Date: 9 May 2014

Reddy Netherlands B.V.**Balance Sheet**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	6,626	6,626
Reserves and surplus	2.2	3,957,833	2,245,340
		3,964,459	2,251,966
Non current liabilities			
Long term borrowings	2.3	32,425	28,990
		32,425	28,990
Current liabilities			
Other current liabilities	2.4	2,463	20,720
Short term provisions	2.5	20,801	-
		23,264	20,720
	TOTAL	4,020,148	2,301,676
ASSETS			
Non current assets			
Non current investments	2.6	1,958,211	1,933,875
Long term loans and advances	2.7	927,817	278,395
		2,886,028	2,212,270
Current assets			
Trade receivables	2.8	992,220	1,202
Cash and bank balances	2.9	10,075	24,433
Short term loans and advances	2.10	131,825	63,771
		1,134,120	89,406
	TOTAL	4,020,148	2,301,676

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Satish Reddy

Director

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

Reddy Netherlands B.V.**Statement of Profit and Loss**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
License fees		1,013,072	-
Other income	2.11	66,114	421
Total revenue		1,079,186	421
Expenses			
Research and development		876,191	118,795
Other expenses	2.12	17,461	61,788
Total expenses		893,652	180,583
Profit / (Loss) before tax		185,534	(180,162)
Tax expense			
Current tax		21,238	-
Profit / (Loss) for the year		164,296	(180,162)

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Satish Reddy

Director

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

Reddy Netherlands B.V.
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“IGAAP”) under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Research and development

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized in the statement of profit and loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if the enterprise can demonstrate all of the following:

- a. the product or the process is technically and commercially feasible;
- b. future economic benefits are probable and ascertainable;
- c. the Company intends to and has sufficient resources to complete development of the product and has the ability to use or sell the asset; and
- d. development costs can be measured reliably.

e) Foreign currency transactions and balances

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are reported using the foreign exchange rates as at the balance sheet date. The resultant exchange differences are recognised in the statement of profit and loss. Non-monetary assets and liabilities are carried at the rates prevailing on the date of transaction.

f) Revenue recognition

License fee

The Company enters into certain dossier sales, licensing and supply arrangements with various parties. Income from licensing arrangements is generally recognised over the term of the contract. Revenue from such arrangements is recognized in the period in which the Company completes all its performance obligations.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

Reddy Netherlands B.V.
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies (continued)

g) *Income-tax expense*

Income tax expense comprises current tax and deferred tax charge or credit, if any.

Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

Offsetting

Current tax assets and current tax liabilities are offset when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the asset and the liability on a net basis.

h) *Provisions, contingent liabilities and contingent assets*

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

g) *Investments*

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as non-current investments.

Non-current investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment. The reduction in the carrying amount is reversed when there is a rise in the value of the investment or if the reasons for the reduction no longer exist. Any reduction in the carrying amount and any reversal in such reductions are charged or credited to the statement of profit and loss.

Reddy Netherlands B.V.
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
3,200 (previous year : 3,200) shares of Euro 50 each	<u>6,626</u>	<u>6,626</u>
Issued		
3,200 (previous year : 3,200) shares of Euro 50 each	<u>6,626</u>	<u>6,626</u>
Subscribed and paid-up		
3,200 (previous year : 3,200) shares of Euro 50 each	<u>6,626</u>	<u>6,626</u>
	<u>6,626</u>	<u>6,626</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	3,200	6,626	3,200	6,626
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	3,200	6,626	3,200	6,626

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of Euro 50 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Dr. Reddy's Laboratories SA	3,200	100	3,200	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Securities premium reserve		
Balance at the beginning of the year	2,454,488	-
Movement during the year	<u>1,548,197</u>	<u>2,454,488</u>
	<u>4,002,685</u>	<u>2,454,488</u>
Deficit		
Balance at the beginning of the year	(209,148)	(28,986)
Add: Current year profit / (loss)	<u>164,296</u>	<u>(180,162)</u>
Balance carried forward	<u>(44,852)</u>	<u>(209,148)</u>
	<u>3,957,833</u>	<u>2,245,340</u>

Reddy Netherlands B.V.
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.3 : Long term borrowings

	As at 31 March 2014	As at 31 March 2013
<i>Unsecured</i>		
Borrowings from holding company and other group companies	32,425	28,990
	<u>32,425</u>	<u>28,990</u>

2.4 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Accrued expenses	2,463	16,910
Other current liabilities	-	3,810
	<u>2,463</u>	<u>20,720</u>

2.5 : Short term provisions

	As at 31 March 2014	As at 31 March 2013
Income tax payable	20,801	-
	<u>20,801</u>	<u>-</u>

2.6 : Non current investments

	As at 31 March 2014	As at 31 March 2013
Non current investments at cost		
<i>In Subsidiary Companies</i>		
OctoPlus N.V.	1,958,211	1,933,875
	<u>1,958,211</u>	<u>1,933,875</u>

2.7 : Long term loans and advances

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
<i>Considered good</i>		
Loan to holding company and other group companies	927,817	278,395
	<u>927,817</u>	<u>278,395</u>

2.8 : Trade Receivables

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
Debts outstanding for a period exceeding six months	-	-
Other debts		
Considered good	992,220	1,202
	<u>992,220</u>	<u>1,202</u>

Reddy Netherlands B.V.
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.9 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Cash on hand	-	-
Bank balances		
In current accounts	10,075	24,433
	<u>10,075</u>	<u>24,433</u>

2.10 : Short term loans and advances

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
<i>Considered good</i>		
Trade advance to holding company and other group companies	1,170	32,075
Balances with statutory agencies	130,655	24,639
Other advances	-	7,057
	<u>131,825</u>	<u>63,771</u>

2.11 : Other income

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest income	13,953	421
Foreign exchange gain, net	52,161	-
	<u>66,114</u>	<u>421</u>

2.12 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Legal and professional	14,827	15,981
Foreign exchange loss, net	-	38,147
Other general expenses	2,634	7,660
	<u>17,461</u>	<u>61,788</u>

2.13 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

Reddy Netherlands B.V.
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.14 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
i. Purchases and services received from holding and other group companies:		
Dr. Reddy's Laboratories Limited	1,635	-
ii. License fees from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	1,013,072	-
ii. Research and development services from holding company and other group companies:		
OctoPlus Development B.V.	680,849	53,268
iii. Interest income from holding company and other group companies:		
Octoplus N.V.	13,662	421

b. The Company has the following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due from holding company and other group companies (included in loans and advances & trade receivables):		
Octoplus N.V.	927,817	278,395
Dr. Reddy's Laboratories Limited	992,220	-
OctoPlus Development B.V.	1,170	-
ii. Due to holding company and other group companies (included in long term borrowings):		
Reddy Antilles N.V.	32,425	28,990

2.15 : Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.16 : The Company, incorporated in the Netherlands, is a 100% Subsidiary of Dr. Reddy's Laboratories SA.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Satish Reddy

Director

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

Reddy Pharma Iberia SA

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in thousands)

Particulars	31 March 2014	31 March 2013
Profit for the year after taxation	13,795	9,097
Balance brought forward	(545,697)	(554,794)
Balance carried forward to balance sheet	(531,902)	(545,697)

Share Capital

The company has received additional investment amounting to Euro 3.5 Mn in equity share capital, from the holding company Dr. Reddy Laboratories Limited, India.

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of profit of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Sameer Natu
Director

Place: Hyderabad
Date: 9 May 2014

M.V. Narasimham
Director

Auditors' Report

To
The Members of
Reddy Pharma Iberia SA

We have audited the accompanying financial statements of **Reddy Pharma Iberia SA**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the profit for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

Reddy Pharma Iberia SA**Balance Sheet**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	566,018	321,090
Reserves and surplus	2.2	(526,918)	(544,401)
		39,100	(223,311)
Share Application money pending allotment		-	244,928
Non current liabilities			
Long term borrowings	2.3	-	41
Other long term liabilities	2.5	551	1,853
		551	1,894
Current liabilities			
Trade payables	2.4	571	3,518
Other current liabilities	2.5	10,326	8,434
		10,897	11,952
	TOTAL	50,548	35,463
ASSETS			
Current assets			
Trade receivables	2.6	5,708	-
Cash and bank balances	2.7	44,840	30,982
Short term loans and advances	2.8	-	4,481
		50,548	35,463
	TOTAL	50,548	35,463

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Sameer Natu

Director

M.V. Narasimham

Director

Reddy Pharma Iberia SA
Statement of Profit and Loss

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
Sales, gross		-	70,766
License fees		27,257	1,412
Revenue from operations		<u>27,257</u>	<u>72,178</u>
Other income	2.9	84	275
Total revenue		<u>27,341</u>	<u>72,453</u>
Expenses			
Purchase of stock-in-trade (traded goods)		-	28,468
Employee benefits expense	2.10	10,040	4,838
Finance costs	2.11	-	9,617
Other expenses	2.12	3,506	20,433
Total expenses		<u>13,546</u>	<u>63,356</u>
Profit before tax		13,795	9,097
Tax expense		-	-
Profit for the year		<u>13,795</u>	<u>9,097</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Sameer Natu

Director

M.V. Narasimham

Director

Reddy Pharma Iberia SA
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“IGAAP”) under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Revenue recognition

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is reasonably certain, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenue from the sale of goods is net of returns, sales tax and applicable trade discounts and allowances.

License fee

The Company enters into certain dossier sales, licensing and supply arrangements with various parties. Income from licensing arrangements is generally recognised over the term of the contract. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognized in the period in which the Company completes all its performance obligations.

Interest income

Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

e) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Reddy Pharma Iberia SA
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
9,066,000 shares (previous year : 5,566,000) of Euro 1 each	<u>566,018</u>	<u>321,090</u>
Issued		
9,066,000 shares (previous year : 5,566,000) of Euro 1 each	<u>566,018</u>	<u>321,090</u>
Subscribed and paid-up		
9,066,000 shares (previous year : 5,566,000) of Euro 1 each	<u>566,018</u>	<u>321,090</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	5,566,000	321,090	5,566,000	321,090
Shares issued during the year	3,500,000	244,928	-	-
Number of shares outstanding at the end of the year	9,066,000	566,018	5,566,000	321,090

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of EUR 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
Dr. Reddy's Laboratories Limited	9,066,000	100	5,566,000	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Foreign currency translation reserve		
Balance at the beginning of the year	1,255	8,443
Movement during the year	<u>3,688</u>	<u>(7,188)</u>
	<u>4,943</u>	<u>1,255</u>
Securities premium reserve		
Balance at the beginning of the year	41	41
Movement during the year	<u>-</u>	<u>-</u>
	<u>41</u>	<u>41</u>
Deficit		
Balance at the beginning of the year	(545,697)	(554,794)
Add: Current year profit	13,795	9,097
Balance carried forward	<u>(531,902)</u>	<u>(545,697)</u>
	<u>(526,918)</u>	<u>(544,401)</u>

Reddy Pharma Iberia SA
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.3 : Long term borrowings

	As at 31 March 2014	As at 31 March 2013
<i>Unsecured</i>		
Borrowings from holding company and other group companies	-	41
	<u>-</u>	<u>41</u>

2.4 : Trade Payables

	As at 31 March 2014	As at 31 March 2013
Trade payable	571	3,518
	<u>571</u>	<u>3,518</u>

2.5 : Other liabilities

	As at 31 March 2014	As at 31 March 2013
a) Other long term liabilities		
Deferred revenue - non current	551	1,853
	<u>551</u>	<u>1,853</u>

b) Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Accrued expenses	6,729	6,772
Due to statutory authorities	1,025	272
Others	2,572	1,390
	<u>10,326</u>	<u>8,434</u>

2.6 : Trade receivables

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
Debts outstanding for a period exceeding six months	-	-
Other debts		
Considered good	5,708	-
	<u>5,708</u>	<u>-</u>
<i>Less</i> : Provision for doubtful debts	-	-
	<u>5,708</u>	<u>-</u>

2.7 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Bank balances		
In current accounts	44,840	30,982
	<u>44,840</u>	<u>30,982</u>

Reddy Pharma Iberia SA
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.8 : Short term loans and advances

	As at 31 March 2014	As at 31 March 2013
(Unsecured)		
<i>Considered good</i>		
Other advances	-	4,481
	<u>-</u>	<u>4,481</u>

2.9 : Other income

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest income	84	275
	<u>84</u>	<u>275</u>

2.10 : Employee benefits expense

	For the year ended 31 March 2014	For the year ended 31 March 2013
Salaries, wages and bonus	10,040	4,838
	<u>10,040</u>	<u>4,838</u>

2.11 : Finance costs

	For the year ended 31 March 2014	For the year ended 31 March 2013
Interest expenses	-	9,617
	<u>-</u>	<u>9,617</u>

2.12 : Other expenses

	For the year ended 31 March 2014	For the year ended 31 March 2013
Legal and professional	559	8,425
Rates and taxes	139	-
Selling expenses	-	9,043
Travelling and conveyance	493	391
Communication	152	190
Rent	1,088	909
Insurance	23	18
Bank charges	129	435
Other general expenses	923	1,022
	<u>3,506</u>	<u>20,433</u>

Reddy Pharma Iberia SA
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.13: Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.14: Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
i. Interest paid to holding company and other group companies:		
Dr. Reddys Laboratories SA	-	9,617
ii. Operating expenses paid / payable to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	601	1,892
ii. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	-	28,897

b. The Company has the following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due to holding company and other group companies (included in long term borrowings):		
Dr. Reddy's Laboratories (UK) Limited	-	41

2.15: Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

2.16: The Company, incorporated in Iberia, Spain is a 100% Subsidiary of Dr. Reddy's Laboratories Limited.

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao
Partner
Membership No. 9750

Sameer Natu
Director

Place: Hyderabad
Date: 9 May 2014

M.V. Narasimham
Director

Reddy Pharma Italia S.p.A.

Directors' Report

Dear Members,

Your Directors present the annual report of the Company for the year ended 31 March 2014.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2013-14 as compared to previous financial year:

(` in thousands)

Particulars	31 March 2014	31 March 2013
Loss for the year after taxation	(34,626)	(13,815)
Balance brought forward	(107,682)	(93,867)
Balance carried forward to balance sheet	(142,308)	(107,682)

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2013-14 and of loss of the Company for that period;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. We have prepared the annual accounts on going concern basis.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2014

Sameer Natu
Director

Auditors' Report

To
**The Members of
Reddy Pharma Italia S.p.A.**

We have audited the accompanying financial statements of **Reddy Pharma Italia S.p.A.**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2014, the statement of profit and loss for the year ended and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2014; and
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 9 May 2014

Reddy Pharma Italia S.p.A.**Balance Sheet**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	62,794	62,794
Reserves and surplus	2.2	(191,077)	(113,207)
		(128,283)	(50,413)
Non current liabilities			
Long term borrowings	2.3	1,297,741	1,090,724
		1,297,741	1,090,724
Current liabilities			
Trade payables	2.4	3,473	2,919
Other current liabilities	2.5	35,960	11,291
Short term provisions	2.6	-	427
		39,433	14,637
	TOTAL	1,208,891	1,054,948
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	449	521
Non current investments	2.8	172,878	172,878
Long term loans and advances	2.9	942,067	812,405
		1,115,394	985,804
Current assets			
Cash and bank balances	2.10	14,101	393
Short term loans and advances	2.11	1,208	2,376
Other current assets	2.12	78,188	66,375
		93,497	69,144
	TOTAL	1,208,891	1,054,948

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Satish Reddy

Director

Sameer Natu

Director

Reddy Pharma Italia S.p.A.**Statement of Profit and Loss**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Income			
License fees		-	1,421
Other income		28,664	28,338
Total revenue		28,664	29,759
Expenses			
Employee benefits expense		56,268	27,116
Depreciation expense	2.7	171	352
Other expenses	2.13	6,851	16,106
Total expenses		63,290	43,574
Loss before tax		(34,626)	(13,815)
Tax expense		-	-
Loss for the year		(34,626)	(13,815)

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2014

for and on behalf of the Board of Directors

Satish Reddy

Director

Sameer Natu

Director

Reddy Pharma Italia S.p.A.
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles ("IGAAP") under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

b) Use of estimates

The preparation of the financial statements in conformity with IGAAP requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Any revision to accounting estimates is recognised prospectively in the current and future periods.

c) Current and non-current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 1956.

d) Tangible assets and depreciation

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non-refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets.

Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed. Individual assets costing less than ₹ 5,000/- are depreciated in full in the year of acquisition.

Leasehold improvements are depreciated over their estimated useful life, or the remaining period of lease, whichever is shorter.

e) Investments

Investments that are readily realisable and are intended to be held for not more than one year from the date, on which such investments are made, are classified as current investments. All other investments are classified as non-current investments.

Non-current investments are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment. The reduction in the carrying amount is reversed when there is a rise in the value of the investment or if the reasons for the reduction no longer exist. Any reduction in the carrying amount and any reversal in such reductions are charged or credited to the statement of profit and loss.

f) Revenue recognition

License fee

The Company enters into certain dossier sales, licensing and supply arrangements with various parties. Income from licensing arrangements is generally recognised over the term of the contract. Some of these arrangements include certain performance obligations by the Company. Revenue from such arrangements is recognized in the period in which the Company completes all its performance obligations.

g) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Reddy Pharma Italia S.p.A.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 31 March 2014	As at 31 March 2013
Authorised		
120,000 (previous year : 120,000) equity share of 1 Euro each	62,794	62,794
Issued		
120,000 (previous year : 120,000) equity share of 1 Euro each	62,794	62,794
Subscribed and paid-up		
120,000 (previous year : 120,000) equity share of 1 Euro each	62,794	62,794
	<u>62,794</u>	<u>62,794</u>

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	120,000	62,794	120,000	62,794
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	120,000	62,794	120,000	62,794

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of Euro 1 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Lacock Holdings Limited	120,000	100	120,000	100

2.2 : Reserves and surplus

	As at 31 March 2014	As at 31 March 2013
Foreign currency translation reserve		
Balance at the beginning of the year	(5,525)	(210)
Movement during the year	(43,244)	(5,315)
	<u>(48,769)</u>	<u>(5,525)</u>
Deficit		
Balance at the beginning of the year	(107,682)	(93,867)
Add: Current year loss	(34,626)	(13,815)
Balance carried forward	(142,308)	(107,682)
	<u>(191,077)</u>	<u>(113,207)</u>

2.3 : Long term borrowings

	As at 31 March 2014	As at 31 March 2013
Borrowings from holding company and other group companies	1,297,741	1,090,724
	<u>1,297,741</u>	<u>1,090,724</u>

Reddy Pharma Italia S.p.A.**Notes to Financial Statements**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.4 : Trade payables**

	As at 31 March 2014	As at 31 March 2013
Trade payable	3,473	2,919
	<u>3,473</u>	<u>2,919</u>

2.5 : Other current liabilities

	As at 31 March 2014	As at 31 March 2013
Accrued expenses	31,595	6,908
Due to statutory authorities	336	202
Others	4,029	4,181
	<u>35,960</u>	<u>11,291</u>

2.6 : Short term provisions

	As at 31 March 2014	As at 31 March 2013
Income tax payable	-	427
	<u>-</u>	<u>427</u>

Reddy Pharma Italia S.p.A.**Notes to Financial Statements**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.7 : Fixed assets**

Description	Gross Block					Depreciation					Net Block	
	As at 01.04.2013	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 01.04.2013	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013
Leasehold improvements	2,454	18	-	389	2,861	1,933	171	-	308	2,412	449	521
Total	2,454	18	-	389	2,861	1,933	171	-	308	2,412	449	521
Previous year	1,835	530	-	89	2,454	1,565	352	-	16	1,933	521	

Reddy Pharma Italia S.p.A.

Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)

2.8 : Non current investments

Non current investments at cost	As at 31 March 2014	As at 31 March 2013
<i>In Subsidiary Companies</i>		
Dr. Reddy's Srl	172,878	172,878
	<u>172,878</u>	<u>172,878</u>

2.9 : Long term loans and advances

(Unsecured)	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Loan to holding company and other group companies	940,955	811,702
Advance tax, net of provision for income taxes	276	-
Security deposits	836	703
	<u>942,067</u>	<u>812,405</u>

2.10 : Cash and bank balances

	As at 31 March 2014	As at 31 March 2013
Cash on hand	74	9
Bank balances		
In current accounts	14,027	384
	<u>14,101</u>	<u>393</u>

2.11 : Short term loans and advances

(Unsecured)	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Balances with statutory agencies	383	1,568
Prepaid expenses	584	527
Other advances	241	281
	<u>1,208</u>	<u>2,376</u>

2.12 : Other current assets

	As at 31 March 2014	As at 31 March 2013
<i>Considered good</i>		
Other receivables from holding company and other group companies	77,685	65,916
Other current assets	503	459
	<u>78,188</u>	<u>66,375</u>

Reddy Pharma Italia S.p.A.**Notes to Financial Statements**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.13 : Other expenses**

	For the year ended 31 March 2014	For the year ended 31 March 2013
Legal and professional	2,256	3,581
Selling expenses	-	2
Travelling and conveyance	118	3,076
Communication	338	291
Rent	2,559	6,104
Printing and stationery	664	1,462
Auditors' remuneration	844	728
Other general expenses	72	862
	6,851	16,106

2.14: Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2014 (previous year: Nil).

2.15: Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2014	For the year ended 31 March 2013
i. Other operating revenues from holding company and other group companies:		
Dr. Reddy's Srl	28,664	28,338

b. The Company has the following amounts due from / to related parties:

Particulars	As at 31 March 2014	As at 31 March 2013
i. Due from holding company and other group companies (included in long term loans and advances):		
Dr. Reddy's Srl	940,955	811,702
ii. Due from holding company and other group companies (included in Other current assets):		
Dr. Reddy's Srl	77,685	65,916
iii. Due to holding company and other group companies (included in long term borrowings):		
Lacock Holdings Limited	1,297,741	1,090,724

2.16: Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's

2.17: The Company, incorporated in Italy, is a 100% subsidiary of Lacock Holdings Limited.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Satish Reddy

Director

A Ramachandra Rao

Partner

Membership No. 9750

Sameer Natu

Director

Place: Hyderabad

Date: 9 May 2014

Reddy US Therapeutics Inc.

Directors' Report

Dear Members,

Your Directors present this report of the Company for the period from 1 April 2013 to 3 July 2013. The Company was dissolved on 3 July 2013.

Financial Highlights

The following table gives the financial highlights of the Company for the period from 1 April 2013 to 3 July 2013 as compared to previous financial year ended 31 March 2013:

(` in thousands)

Particulars	1 April 2013 to 3 July 2013	1 April 2012 to 31 March 2013
Profit / (loss) for the period after taxation	4,370	(22,237)
Balance brought forward	(96,012)	(73,775)
Deficit transferred to Share capital	91,642	-
Balance carried forward to balance sheet	-	(96,012)

Directors Responsibility Statement

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors confirm as under:

1. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company for the period ended 3 July 2013 and of loss of the Company for the period from 1 April 2013 to 3 July 2013;
3. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Acknowledgement

Your Directors wish to express their gratitude to all concerned for the co-operation to the Company during the year.

for and on behalf of the Board of Directors

Satish Reddy
Director

Place: Hyderabad
Date: 3 July 2013

G.V. Prasad
Director

Auditors' Report

To
The Members of
Reddy US Therapeutics Inc.

We have audited the accompanying financial statements of **Reddy US Therapeutics Inc.**, a company incorporated and administered outside India, which comprises the balance sheet as at 3 July 2013, the statement of profit and loss for the period from 1 April 2013 to 3 July 2013 and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 212 of the Companies Act, 1956, that give a true and fair view of the financial position, financial performance of the company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

Our responsibility is to express an opinion on these financial statements based on our audit carried out for the limited purpose of complying with Sec 212. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, to the extent applicable and relevant. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act to the extent applicable and relevant, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at 3 July 2013; and
- (b) in the case of the statement of profit and loss, of the profit for the period 1 April 2013 to 3 July 2013.

As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books to the extent applicable and relevant to a company incorporated outside India;
- c. the balance sheet and statement of profit and loss dealt with by this report are in agreement with the books of account; and
- d. in our opinion, the balance sheet and statement of profit and loss, comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956, to the extent applicable and relevant to a company incorporated outside India.

for **A.Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No.: 9750

Place: Hyderabad
Date: 3 July 2013

Reddy US Therapeutics Inc.

Balance Sheet

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	As at 3 July 2013	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	-	93,652
Reserves and surplus	2.2	-	(91,816)
		<u>-</u>	<u>1,836</u>
		<u>-</u>	<u>1,836</u>
	TOTAL	<u>-</u>	<u>1,836</u>
ASSETS			
Current assets			
Cash and bank balances	2.3	-	1,836
		<u>-</u>	<u>1,836</u>
		<u>-</u>	<u>1,836</u>
	TOTAL	<u>-</u>	<u>1,836</u>

Significant accounting policies 1
The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**
Chartered Accountants
ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

G.V. Prasad
Director

Place: Hyderabad
Date: 3 July 2013

Reddy US Therapeutics Inc.**Statement of Profit and Loss**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

	Note	For the period 1 April 2013 to 3 July 2013	For the period 1 April 2012 to 31 March 2013
Income			
Transfer of exchange differences accumulated in foreign currency translation reserve on dissolution of entity		4,370	-
Total revenue		<u>4,370</u>	<u>-</u>
Expenses			
Other expenses	2.4	-	22,237
Total expenses		<u>-</u>	<u>22,237</u>
Profit / (Loss) before tax		4,370	(22,237)
Tax expense		-	-
Profit / (Loss) for the year		<u>4,370</u>	<u>(22,237)</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Satish Reddy

Director

A Ramachandra Rao

Partner

Membership No. 9750

G.V. Prasad

Director

Place: Hyderabad

Date: 3 July 2013

Reddy US Therapeutics Inc.
Significant accounting policies

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 1: Significant accounting policies

a) *Basis of preparation of financial statements*

The financial statements have been prepared and presented in accordance with the Indian Generally Accepted Accounting Principles (“IGAAP”) under historical cost convention on an accrual basis. These financial statements have been prepared to comply in all material aspects with accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956 and other pronouncements of the Institute of Chartered Accountants of India.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 212 of the Companies Act, 1956.

The entity was dissolved on 3 July 2013.

Reddy US Therapeutics Inc.
Notes to Financial Statements

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements

2.1 : Share capital

	As at 3 July 2013	As at 31 March 2013
Authorised		
Nil (previous year : 10,000,000) shares of USD 0.0001 each	-	95,646
Issued		
Nil (previous year : 9,791,500) shares of USD 0.0001 each	-	93,652
Subscribed and paid-up		
Nil (previous year : 9,791,500) shares of USD 0.0001 each	93,652	93,652
Less: Net assets transferred to shareholders on dissolution	(2,010)	-
Less: Balance in deficit account transferred to share capital on dissolution	(91,642)	-
	-	93,652

(a) Reconciliation of the equity shares outstanding is set out below:

Particulars	As at 3 July 2013		As at 31 March 2013	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the period	9,791,500	93,652	9,791,500	93,652
Less: On dissolution of the entity	(9,791,500)	(93,652)	-	-
Number of shares outstanding at the end of the period	-	-	9,791,500	93,652

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of U.S.\$ 0.0001 per share. Each holder of equity shares is entitled to one vote per share.

(c) Details of shareholders holding more than 5% shares in the company

Particulars	As at 3 July 2013		As at 31 March 2013	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Reddy Antilles N. V.	-	-	9,791,500	100

Reddy US Therapeutics Inc.**Notes to Financial Statements**

(All amounts in Indian Rupees thousands, except share data and where otherwise stated)

Note 2: Notes to financial statements (continued)**2.2 : Reserves and surplus**

	As at 3 July 2013	As at 31 March 2013
Foreign currency translation reserve		
Balance at the beginning of the year	4,196	2,835
Movement during the period	174	1,361
Transfer to statement of profit and loss on dissolution of entity	(4,370)	-
	<u>-</u>	<u>4,196</u>
Deficit		
Balance at the beginning of the year	(96,012)	(73,775)
Add: Current year profit / (loss)	4,370	(22,237)
Add: Deficit transferred to share capital account on dissolution of entity	91,642	-
Balance carried forward	<u>-</u>	<u>(96,012)</u>
	<u>-</u>	<u>(91,816)</u>

2.3 : Cash and bank balances

	As at 3 July 2013	As at 31 March 2013
Bank balances		
In current accounts	-	1,836
	<u>-</u>	<u>1,836</u>

2.4 : Other expenses

	For the period 1 April 2013 to 3 July 2013	For the period 1 April 2012 to 31 March 2013
Legal and professional	-	601
Repairs and maintenance	-	73
Other general expenses	-	21,563
	<u>-</u>	<u>63,601</u>

2.5 : Comparative figures

Previous year's figures have been regrouped/ reclassified wherever necessary, to conform to current year's classification.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 3 July 2013

for and on behalf of the Board of Directors

Satish Reddy

Director

G.V. Prasad

Director