



**Good
Health
Can't
Wait.**

Sl. No.	Name of the Subsidiary
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 SAS
24	Dr. Reddy's Laboratories Tennessee, LLC
25	Dr. Reddy's New Zealand Limited
26	Dr. Reddy's Pharma SEZ Limited
27	Dr. Reddy's Singapore PTE. LTD.
28	Dr. Reddy's Srl
29	Dr. Reddy's Venezuela, C.A.
30	DRL Impex Limited
31	Euro Bridge Consulting B.V.
32	Idea2Enterprises (India) Private Limited
33	Industrias Quimicas Falcon de Mexico, S.A. de CV
34	Kunshan Rotam Reddy Pharmaceutical Company Limited
35	Lacock Holdings Limited
36	OctoPlus Development B.V.
37	OctoPlus N.V.
38	OctoPlus PolyActive Sciences B.V.
39	OctoPlus Sciences B.V.
40	OctoPlus Technologies B.V.
41	OctoShare B.V.
42	OOO Dr. Reddy's Laboratories Limited
43	OOO DRS LLC
44	Promius Pharma LLC
45	Reddy Antilles N.V.
46	Reddy Cheminor S.A. (under liquidation)
47	Reddy Holding GmbH
48	Reddy Specialities GmbH (formerly Reddy beta GmbH)
49	Reddy Netherlands B.V.
50	Reddy Pharma Iberia SA
51	Reddy Pharma Italia S.p.A

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

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 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	15,604	15,604
Reserves and surplus	2.2	1,301	(1,561)
		<u>16,905</u>	<u>14,043</u>
Non current liabilities			
Long term borrowings	2.3	-	12,935
		<u>-</u>	<u>12,935</u>
Current liabilities			
Short term borrowings			
Trade payables	2.4	272	77,808
Other current liabilities	2.5	3,810	7,345
		<u>4,082</u>	<u>85,153</u>
	TOTAL	<u><u>20,987</u></u>	<u><u>112,131</u></u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	6,957	12,601
Long term loans and advances	2.7	1,033	1,418
		<u>7,990</u>	<u>14,019</u>
Current assets			
Trade receivables	2.8	3,721	-
Cash and bank balances	2.9	8,275	97,284
Short term loans and advances	2.10	1,001	828
		<u>12,997</u>	<u>98,112</u>
	TOTAL	<u><u>20,987</u></u>	<u><u>112,131</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: 8 May 2015

for and on behalf of the Board of Directors

Ashish Lath

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 2015	For the year ended 31 March 2014
Income			
Service income		40,697	270,466
Revenue from operations		<u>40,697</u>	<u>270,466</u>
Other income	2.11	-	121
Total revenue		<u>40,697</u>	<u>270,587</u>
Expenses			
Cost of technical sub-contractors		8,849	224,526
Employee benefits expense	2.12	16,432	15,653
Depreciation expense	2.6	5,657	5,831
Other expenses	2.13	6,898	19,626
Total expenses		<u>37,835</u>	<u>265,636</u>
Profit before tax		2,862	4,951
Tax expense			
Current tax		-	5
Profit for the year		<u>2,862</u>	<u>4,946</u>
Earnings per share			
Basic - Par value MYR 1 per share		2.86	4.95
Diluted - Par value MYR 1 per share		2.86	4.95
Number of shares used in computing earnings per share			
Basic		1,000,000	1,000,000
Diluted		1,000,000	1,000,000

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: 8 May 2015

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

Director

C S N Murthy

Director

Aurigene Discovery Technologies (M) SDN BHD

Cash Flow Statement

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Profit before taxation	2,862	4,951
Adjustments:		
Depreciation and amortization expense	5,657	5,831
Effect of foreign exchange gain/(loss)	825	694
Interest income	-	27
(Profit) / Loss on sale of fixed assets, net	-	(94)
Operating cash flows before working capital changes	9,343	11,409
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(4,026)	-
Trade payables	(77,114)	(15,964)
Other assets and liabilities, net	(3,465)	(81,875)
Cash used in operations	(75,262)	(86,430)
Income taxes paid, net	312	(23)
Net cash used in operating activities	(74,950)	(86,453)
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(13)	(1,093)
Proceeds from sale of tangible and intangible assets	-	477
Interest received	-	(27)
Net cash used in investing activities	(13)	(643)
Cash flows from / (used in) financing activities		
Proceeds from / (repayment of) long term borrowings, net	(12,869)	4,017
Net cash from / (used in) financing activities	(12,869)	4,017
Net decrease in cash and cash equivalents	(87,831)	(83,079)
Cash and cash equivalents at the beginning of the year	97,284	170,084
Effect of foreign exchange gain on cash and cash equivalents	(1,178)	10,279
Cash and cash equivalents at the end of the year	8,275	97,284
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	8,275	97,284
Other bank balances	-	-
Cash and bank balances at the end of the year	8,275	97,284

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

Ashish Lath
Director

Place: Hyderabad
Date: 8 May 2015

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 accounting principles generally accepted in India (“Indian GAAP”). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

Assets acquired on finance leases and leasehold improvements are depreciated over the period of the lease agreement or the useful life whichever is shorter. Land is not depreciated.

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

Schedule II to the Companies Act, 2013 (“Schedule”) prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

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.

Advances paid towards acquisition of tangible fixed assets outstanding at each balance sheet date are shown under long-term loans and

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.

i) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

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. The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. 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.

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 2015	As at 31 March 2014
Authorised		
1,000,000 (previous year : 1,000,000) shares of MYR 1 each	<u>15,604</u>	<u>15,604</u>
Issued		
1,000,000 (previous year : 1,000,000) shares of MYR 1 each	<u>15,604</u>	<u>15,604</u>
Subscribed and paid-up		
1,000,000 (previous year : 1,000,000) shares of MYR 1 each	<u>15,604</u>	<u>15,604</u>
	<u>15,604</u>	<u>15,604</u>

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

Particulars	As at 31 March 2015		As at 31 March 2014	
	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 2015		As at 31 March 2014	
	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 2015	As at 31 March 2014
Foreign currency translation reserve		
Balance at the beginning of the year	-	2
Movement during the year	<u>-</u>	<u>(2)</u>
	<u>-</u>	<u>-</u>
Deficit		
Balance at the beginning of the year	(1,561)	(6,507)
Add: Current year profit	<u>2,862</u>	<u>4,946</u>
Balance carried forward	<u>1,301</u>	<u>(1,561)</u>
	<u>1,301</u>	<u>(1,561)</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)

2.3 : Long term borrowings

	As at 31 March 2015	As at 31 March 2014
Borrowings from holding company and other group companies	-	12,935
	<u>-</u>	<u>12,935</u>

2.4 : Trade Payables

	As at 31 March 2015	As at 31 March 2014
Payables to holding company and other group companies	-	77,694
Payables to others	272	114
	<u>272</u>	<u>77,808</u>

2.5 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Accrued expenses	3,296	7,006
Due to capital creditors	169	-
Others	345	339
	<u>3,810</u>	<u>7,345</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 01.04.2014	Additions	Deletions	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Electrical equipment	377	13	-	390	295	62	-	357	33	82
Laboratory equipment	29,220	-	-	29,220	18,881	4,620	-	23,501	5,720	10,339
Office equipment	5,988	-	-	5,988	3,808	975	-	4,783	1,205	2,180
TOTAL	35,585	13	-	35,598	22,984	5,657	-	28,641	6,957	12,601
Previous year	35,414	1,092	921	35,585	17,691	5,831	538	22,984	12,601	

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 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Security deposits	979	1,374
Advance tax, net of provision for income taxes	54	44
	1,033	1,418

2.8 : Trade receivables

	As at 31 March 2015	As at 31 March 2014
Unsecured		
Debts outstanding for a period exceeding six months	-	-
Other debts		
Considered good	3,721	-
	3,721	-

2.9 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Bank balances		
In current accounts	8,275	97,284
	8,275	97,284

2.10 : Short term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Advances to material suppliers	430	-
Prepaid expenses	214	439
Other advances	357	389
	1,001	828

2.11 : Other income

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest income	-	27
Profit on sale of fixed assets, net	-	94
	-	121

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 : Employee benefits expense

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	14,289	13,652
Contribution to provident and other funds	1,543	1,584
Staff welfare expenses	599	417
	<u>16,432</u>	<u>15,653</u>

2.13 : Other expense

	For the year ended 31 March 2015	For the year ended 31 March 2014
Legal and professional	531	11,432
Repairs and maintenance		
Buildings	-	124
Plant and machinery	96	43
Others	173	92
Travelling and conveyance	1,429	1,240
Rent	2,230	2,300
Foreign exchange loss, net	381	3,087
Insurance	9	52
Other general expenses	2,048	1,256
	<u>6,898</u>	<u>19,626</u>

2.14 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2015 (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	For the year ended
	31 March 2015	31 March 2014
i. Purchases and services from holding company and other group companies:		
Aurigene Discovery Technologies Limited	-	214,740
i. Sales and services to holding company and other group companies:		
Aurigene Discovery Technologies Limited	40,328	-

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

Particulars	As at	As at
	31 March 2015	31 March 2014
i. Due to holding company and other group companies (included in trade payables):		
Aurigene Discovery Technologies Limited	-	77,694
ii. Due to holding company and other group companies (included in long term borrowings):		
Aurigene Discovery Technologies Limited	-	12,935
iii. Due from holding company and other group companies (included in trade receivables):		
Aurigene Discovery Technologies Limited	3,721	-

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

Ashish Lath
Director

A Ramachandra Rao
Partner
Membership No. 9750

CSN Murthy
Director

Place: Hyderabad
Date: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

Aurigene Discovery Technologies Inc.
Balance Sheet

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

	Note	As at 31 March 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	257,460	251,181
Reserves and surplus	2.2	(254,921)	(256,587)
		<u>2,539</u>	<u>(5,406)</u>
Non current liabilities			
Long term borrowings	2.3	-	8,331
		<u>-</u>	<u>8,331</u>
Current liabilities			
Other current liabilities	2.4	2,417	4,374
		<u>2,417</u>	<u>4,374</u>
	TOTAL	<u>4,956</u>	<u>7,299</u>
ASSETS			
Current assets			
Trade receivables	2.5	3,269	4,259
Cash and bank balances	2.6	1,687	3,040
		<u>4,956</u>	<u>7,299</u>
	TOTAL	<u>4,956</u>	<u>7,299</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

G.V. Prasad
Director

Satish Reddy
Director

Place: Hyderabad
Date: 8 May 2015

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 2015	For the year ended 31 March 2014
Income			
Service income		15,223	33,402
Revenue from operations		15,223	33,402
Other income	2.7	261	2,237
Total revenue		15,484	35,639
Expenses			
Salaries, wages and bonus		10,825	23,467
Other expenses	2.8	2,672	31,325
Total expenses		13,497	54,792
Profit / (Loss) before tax		1,987	(19,153)
Tax expense		-	-
Profit / (Loss) for the year		1,987	(19,153)
Earnings per share			
Basic - Par value USD 1 per share		0.39	(4.35)
Diluted - Par value USD 1 per share		0.39	(4.35)
Number of shares used in computing earnings per share			
Basic		5,120,753	4,400,000
Diluted		5,120,753	4,400,000

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: 8 May 2015

for and on behalf of the Board of Directors

G.V. Prasad

Director

Satish Reddy

Director

Aurigene Discovery Technologies Inc.
Cash Flow Statement

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Profit / (Loss) before tax	1,987	(19,153)
Adjustments:		
Foreign exchange (gain) / loss, net	(266)	(935)
Interest income	(1)	(6)
Operating cash flows before working capital changes	1,720	(20,094)
<i>Changes in operating assets and liabilities</i>		
Trade receivables	1,148	(4,299)
Other assets and liabilities, net	(2,100)	1,091
Cash generated from / (used in) operations	769	(23,302)
Income taxes paid, net	-	-
Net cash from / (used in) operating activities	769	(23,302)
Cash flows from / (used in) investing activities		
Interest received	1	6
Net cash from investing activities	1	6
Cash flows from / (used in) financing activities		
Proceeds from issuance of share capital	6,279	40,874
Repayment of long term borrowings, net	(8,501)	(23,339)
Net cash from / (used in) financing activities	(2,222)	17,535
Net increase / (decrease) in cash and cash equivalents	(1,452)	(5,761)
Cash and cash equivalents at the beginning of the year	3,040	7,926
Effect of foreign exchange gain on cash and cash equivalents	99	875
Cash and cash equivalents at the end of the year	1,687	3,040
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	1,687	3,040
Other bank balances	-	-
Cash and bank balances at the end of the year	1,687	3,040

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: 8 May 2015

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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 and are not discounted to its present value.

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 2015	As at 31 March 2014
Authorised		
6,000,000 (previous year : 6,000,000) equity shares of USD 1 each	<u>276,000</u>	<u>276,000</u>
Issued		
5,215,000 (previous year : 5,115,000) equity shares of USD 1 each	<u>257,460</u>	<u>251,181</u>
Subscribed and paid-up		
5,215,000 (previous year : 5,115,000) equity shares of USD 1 each	<u>257,460</u>	<u>251,181</u>
	<u>257,460</u>	<u>251,181</u>

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

Particulars	As at 31 March 2015		As at 31 March 2014	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	5,115,000	251,181	4,400,000	210,307
Shares issued during the year	100,000	6,279	715,000	40,874
Number of shares outstanding at the end of the year	5,215,000	257,460	5,115,000	251,181

(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 2015		As at 31 March 2014	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
Aurigene Discovery Technologies Limited	5,215,000	100	5,115,000	100

2.2 : Reserves and surplus

	As at 31 March 2015	As at 31 March 2014
Foreign currency translation reserve		
Balance at the beginning of the year	(5,101)	(1,532)
Movement during the year	<u>(321)</u>	<u>(3,569)</u>
	<u>(5,422)</u>	<u>(5,101)</u>
Deficit		
Balance at the beginning of the year	(251,486)	(232,333)
Add: Current year profit / (loss)	1,987	(19,153)
Balance carried forward	<u>(249,499)</u>	<u>(251,486)</u>
	<u>(254,921)</u>	<u>(256,587)</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 2015	As at 31 March 2014
Borrowings from holding company and other group companies	-	8,331
	<u>-</u>	<u>8,331</u>

2.4 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Due to holding company and other group companies	2,021	2,253
Accrued expenses	396	2,121
	<u>2,417</u>	<u>4,374</u>

2.5 : Trade receivables

	As at 31 March 2015	As at 31 March 2014
Unsecured		
Debts outstanding for a period exceeding six months	-	-
Other debts		
Considered good	3,269	4,259
	<u>3,269</u>	<u>4,259</u>

2.6 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Bank balances		
In current accounts	1,687	3,040
	<u>1,687</u>	<u>3,040</u>

2.7 : Other income

	For the year ended 31 March 2015	For the year ended 31 March 2014
Foreign exchange gain, net	260	2,231
Interest income	1	6
	<u>261</u>	<u>2,237</u>

2.8 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Legal and professional	445	3,124
Rates and taxes	512	47
Travelling and conveyance	935	2,813
Bank charges	13	7
Other general expenses	767	25,334
	<u>2,672</u>	<u>31,325</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 2015 (previous year: Nil).

2.10: Related party disclosures

a. The Company has following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i. Services from holding company or other companies within the group:		
Dr. Reddy's Laboratories Inc.	737	4,458
ii. Service income from holding company and other group companies:		
Aurigene Discovery Technologies Limited	15,223	33,402

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

Particulars	As at 31 March 2015	As at 31 March 2014
i. Due to holding company and other group companies (included in other current liabilities):		
Dr. Reddy's Laboratories Inc.	2,021	2,253
ii. Due to holding company and other group companies (included in long term borrowings):		
Aurigene Discovery Technologies Limited	-	8,331
iii. Due from holding company and other group companies (included in trade receivables):		
Aurigene Discovery Technologies Limited	3,269	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

A Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

G.V. Prasad
Director

Place: Hyderabad
Date: 8 May 2015

Aurigene Discovery Technologies Limited
Board's Report

Dear Members,

Your Directors present the 14th Board's Report of the Company for the year ended 31 March 2015.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2014-15 as compared to previous financial year:

(Rs. in million)

Particulars	31 March 2015	31 March 2014
Income	1,477	1,382
Profit before interest, depreciation and tax	236	241
Depreciation	104	98
Profit before tax	115	127
Tax expense	-47	-48
Profit after tax	67	79
Add: Balance brought forward	127	287
Total Available for Appropriation	194	367
Appropriations:		
Proposed dividend on equity shares	-159	-79
Tax on proposed dividend	-32	-13
Transfer to Capital Redemption Reserve	0	-148
Balance carried forward to Balance Sheet	4	127

State of Company's Affairs

The Company's net revenue for the year was Rs.1,477 million, up 7% over the previous year. Earnings before interest, taxes, depreciation and amortization (EBITDA) decreased by 2% to Rs.236 million. Profit before taxes (PBT) was Rs.115 million, a decline of 9% over the previous year.

Dividend

Your Directors are pleased to recommend a dividend of Rs. 1.75 on every equity share of Rs. 10/- each (17.5%) for FY2015. The dividend, if approved at the 14th Annual General Meeting (AGM) will be paid to those shareholders whose names appear on the Register of Members of the Company as on 10 July 2015.

Share capital

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

Fixed Deposits

The Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013.

Material Changes and Commitments Affecting the Financial Position of the Company

There were no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of this report.

Subsidiaries and Associates

Your Company has two wholly owned subsidiaries as on 31 March, 2015 - Aurigene Discovery Technologies (Malaysia) SDN BHD., Malaysia and Aurigene Discovery Technologies Inc., USA. There were no other companies which have become/ceased to be subsidiaries, joint ventures or associate companies during the year.

Pursuant to Section 129(3) of the Companies Act, 2013 and Rule 6 of the Companies (Accounts) Rules, 2014, where the Company has one or more subsidiaries, it shall, in addition to its financial statements, prepare a consolidated financial statement of the company and of all subsidiaries in the same form and manner as that of its own and also attach along with its financial statement, a separate statement containing the salient features of the financial statement of its subsidiaries.

However the Ministry of Corporate Affairs vide its circulars dated October 14, 2014 and January 16, 2015 has clarified that the provisions pertaining to manner of consolidation of accounts shall not be applicable to intermediate wholly-owned subsidiaries having subsidiaries incorporated outside India, only for the financial year commencing on or after April 1, 2014.

Hence the relevant provisions regarding manner of consolidation of accounts are not applicable to your Company.

Particulars of Loans, Guarantees or Investments

Your Company makes investments or extends loans/guarantees to its wholly owned subsidiaries for their business purposes. There are no outstanding loan balances as on 31 March 2015. All the subsidiaries have repaid the loans in full and no fresh loans are granted to the subsidiaries. Details of loans, guarantees and investments covered under Section 186 of the Companies Act, 2013, along with the purpose for which such loan or guarantee is proposed to be utilized by the recipient, form part of the notes to the financial statements provided in this Annual Report.

Number of Board meetings

Your Company's Board met five times during the financial year under review on: 1 May 2014, 24 July 2014, 20 October 2014, 14 January 2015 and 6 February 2015.

Board of Directors and Key Managerial Personnel

Pursuant to provisions of Section 152 of the Companies Act, 2013, Mr. Saumen Chakraborty (DIN: 06471520), retires by rotation at the ensuing Annual General Meeting and being eligible, seeks re-appointment. Your Directors recommend his re-appointment for approval at the ensuing Annual General Meeting.

During the year under review, Mr. John Bondo Hansen (DIN: 02045276) resigned from the Board of Directors of the Company and ceased to be a Director of the Company with effect from 24 July, 2014. The Board accorded its deep appreciation for the services rendered by him during his term.

Pursuant to provisions of Section 149, 152 and 161 read with Schedule IV of the Companies Act, 2013 and based on the recommendations of the Nomination & Remuneration Committee, the Board appointed Mr. Hariharnath Buggana (DIN: 00695002) and Dr. Bruce L.A. Carter (DIN: 02331774) as Additional Directors of the Company categorized as Independent Directors, effective 30 March, 2015. They shall hold office for a term of five consecutive years and not be liable to retire by rotation.

Mr. Hariharnath Buggana and Dr. Bruce L.A. Carter have confirmed that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013.

The Board recommends the appointment of Mr. Hariharnath Buggana and Dr. Bruce L.A. Carter as Independent Directors, to hold office for a term of five consecutive years, for approval of the members at the ensuing Annual General Meeting. The requisite notice under Section 160 of the Companies Act, 2013 has been received from a member proposing their appointment.

The brief profiles of Mr. Hariharnath Buggana and Dr. Bruce L.A. Carter are given in the Statement pursuant to Section 102(1) of the Companies Act, 2013 annexed to the Notice of the Annual General Meeting for reference of the shareholders.

During the year under review, the following officials were confirmed as Key Managerial Personnel (KMPs) of the Company, in terms of Section 203(1) of the Companies Act, 2013:

- a) Mr. CSN Murthy, Chief Executive Officer
- b) Mr. Ashish Lath, Chief Financial Officer
- c) Ms. Arwa Rangwala, Company Secretary

Appointment of Directors and Remuneration Policy

The Remuneration Committee of the Board shortlists individual candidates for appointment as directors on the basis of their qualifications, positive attributes, personal and professional standing. Thereafter, based on recommendations of the Remuneration Committee, the Board collectively decides to appoint one of the shortlisted candidates out of the prospective candidates.

The potential Independent Directors are also assessed on the basis of criteria of independence defined in Section 149(6) of the Companies Act, 2013.

Board Evaluation

An evaluation of the performance of the Board, its Committees and individual directors was undertaken during the year.

Audit Committee

In terms of Section 177 of the Companies Act, 2013, your Company re-constituted its Audit Committee on 30 March 2015. Presently, the Audit Committee consists of Mr. Hariharnath Buggana (Independent Director) as Chairman of the Committee, Dr. Bruce L.A. Carter (Independent Director) and Mr. Saumen Chakraborty.

Remuneration Committee

In terms of Section 178 of the Companies Act, 2013, your Company re-constituted its Remuneration Committee on 30 March 2015. Presently, the Remuneration Committee consists of Mr. Hariharnath Buggana (Independent Director) as Chairman of the Committee, Dr. Bruce L.A. Carter (Independent Director) and Mr. G V Prasad.

Corporate Social Responsibility

As per Section 135 of the Companies Act, 2013, your Company has constituted a Corporate Social Responsibility (CSR) Committee of its Board of Directors on 30 March 2015. Presently, the Committee consists of Mr. Hariharnath Buggana (Independent Director) as Chairman, Mr. G V Prasad and Mr. Saumen Chakraborty.

The CSR Committee formulated and recommended the CSR policy to the Board, which indicates the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013.

As per the CSR policy, the Company follows the guidelines as mentioned below, in pursuing social responsibility:

- Identifying the needs and priorities of the community and implementing relevant social programmes.
- Focusing on social initiatives which promote scientific research in society through awareness, capacity building and socially relevant innovative projects.
- Improving the quality of education.
- Creating health and hygiene awareness.
- Nurture volunteering by mobilizing employee potential and passion.
- Partnering with like-minded organizations to leverage mutual strengths and sharing expertise to deliver social projects.
- Reviewing and monitoring the CSR programmes to measure impact and assimilate feedback through an annual review by the Board and CSR Committee.

In year 2014-15, your Company has identified a specific project for enhancing quality of science education and reach to the community for implementation through an NGO partner. This project shall commence in August 2015.

The detailed CSR policy is also available on Company's website, www.aurigene.com. The Annual Report on CSR activities of the Company is attached as "Annexure I" to this report.

Risk Management

Your Company has developed a risk management framework (commensurate with its size and business objectives) to identify, prioritise and mitigate the risks that could threaten the existence of the Company. As per the risk management policy of the Company, key risks and progress on their mitigation are annually presented and discussed at its Board meeting.

Adequacy of Internal Financial Controls with Reference to Financial Statements

Your Company has in place an internal controls system which has been designed to ensure reasonable assurance regarding efficiency of operations, safeguards for assets, reliability of financial controls and compliance with applicable laws and regulations.

The integrity and reliability of the internal control systems are achieved through policies and procedures, process automation and an organization structure that segregates responsibilities. Internal Audit program at the Company is independently carried out as per an annual internal audit plan which reviews financial, operational and compliance aspects. Suggested improvement in processes are identified during reviews and communicated to the management on an on-going basis.

The Audit Committee of the Board periodically reviews the audit plans, findings and resolution of issues.

Directors' Responsibility Statement

In terms of Section 134(5) of the Companies Act, 2013, your Directors state that:

1. applicable accounting standards have been followed in the preparation of the annual accounts;
2. accounting policies have been selected and applied consistently. Reasonable and prudent judgments and estimates were made, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2014-15 and of the profit of the Company for that period;
3. proper and sufficient care has been taken to maintain 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. annual accounts have been prepared on a going concern basis; and
5. proper systems have been devised to ensure compliance with the provisions of all applicable laws and these systems were adequate and operating effectively.

Related Party Transactions

Your Company has adequate procedures for the purpose of identification and monitoring of related party transactions. All transactions entered into with related parties during the financial year were in the ordinary course of business and on arm's length pricing basis. Most of the transactions with related parties are either with the holding company, Dr. Reddy's Laboratories Limited or with the two subsidiaries of the Company. Hence the relevant provisions are not applicable to your Company.

Secretarial Audit Report

Pursuant to Section 204 of the Companies Act, 2013 and the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, Mr. G Raghav Babu, Partner, M/s. R & A Associates, Company Secretary in Practice, Hyderabad, was appointed to conduct the Secretarial Audit of the Company for FY 2015. The Secretarial Audit Report for FY2015 is attached as Annexure II to this Report.

Statutory Auditors

The shareholders at their 13th Annual General Meeting held on July 15, 2014, approved the re-appointment of M/s B S R & Co. LLP, Chartered Accountants, Bangalore, as Statutory Auditors of your Company, to hold office from the conclusion of the 13th Annual General meeting upto the conclusion of 15th Annual General Meeting, subject to ratification by the shareholders at every subsequent AGM, in terms of Section 139 of the Companies Act, 2013 and the rules made thereunder.

The Statutory Auditors have confirmed their eligibility under Section 141 of the Companies Act, 2013 and Rule 4 of the Companies (Audit and Auditors) Rules, 2014. They have also expressed their willingness to continue as Statutory Auditors of your Company for FY 2015-16, if ratified by the shareholders at the ensuing AGM.

The Audit Committee and the Board of Directors recommend the continuation of M/s. B S R & Co. LLP, Chartered Accountants, as Statutory Auditors of the Company from the conclusion of the 14th AGM till the conclusion of 15th AGM, for ratification by the shareholders.

There are no qualifications, reservations or adverse remarks made by the Statutory Auditors in their report or by the Company Secretary in Practice in the Secretarial Audit Report.

Significant and Material Orders passed by the Court/Regulators

During the year under review, there were no significant and/or material orders, passed by any Court or Regulators or Tribunal which may impact the going concern status or the Company's operations in future.

Particulars of Employees

Details of employees of the Company drawing salary more than the amount as specified under the provisions of Section 197(12) of the Companies Act, 2013 read with Rule 5(2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended from time to time are attached as Annexure III of this Report.

Conservation of energy, Technology Absorption, Foreign exchange earnings and outgo

The particulars as prescribed under Section 134(3)(m) of the Companies Act, 2013, read with the Companies (Accounts) Rules, 1988 relating to conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Extract of the Annual Return

The details forming part of the extract of the Annual Return in Form MGT-9 are enclosed as 'Annexure IV' to this Report.

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: May 9, 2015

Satish Reddy
Director

ANNEXURE I

Annual Report Corporate Social Responsibility (CSR)

1. A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.

The Board has approved the CSR Policy of the Company. It can be viewed at <http://aurigene.com/about-us/our-csr-policy/>

2. The Composition of the CSR Committee.

As per Section 135 of the Companies Act, 2013, your Company has constituted a Corporate Social Responsibility (CSR) Committee of its Board of Directors on March 30, 2015. Presently, the Committee consists of: Mr. Hariharnath Buggana (Independent Director) as Chairman, Mr. G V Prasad and Mr. Saumen Chakraborty.

3. Average net profit of the company for last three financial years

Rs.3919 Lakhs

4. Prescribed CSR Expenditure (two per cent. of the amount as in item 3 above)

Rs. 78.38 Lakhs

5. Details of CSR spent during the financial year.

(a) Total amount to be spent for the financial year;

Rs. 78.38 Lakhs

(b) Amount unspent, if any;

Rs. 78.38 Lakhs

(c) Manner in which the amount spent during the financial year is detailed below.

6. In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.

In 2014-15 Company identified a specific project for enhancing quality of science education and reach to the community for implementation through NGO partner. This project, designed for inculcating the scientific acumen in the students, will commence in August 2015.

7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the company.

The implementation and monitoring of CSR Policy is in compliance with the CSR objectives and Policy of the Company.

Chief Executive Officer	Chairman of CSR Committee
--------------------------------	--------------------------------------

ANNEXURE II

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2015

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
M/s. Aurigene Discovery Technologies Limited,
39/49(P) KIADB Industrial Area,
Electronics City Phase II,
Bengaluru - 560 100,
Karnataka.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **M/s. Aurigene Discovery Technologies Limited** (hereinafter called the “**Company**”). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company’s books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2015 (“**Audit Period**”) complied with the statutory provisions listed hereunder and also that the Company has proper board processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2015 according to the provisions of the Companies Act, 2013 (“**the Act**”) and the rules made thereunder.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by “The Institute of Company Secretaries of India” (**Not notified during the audit period, hence not applicable to the Company**).
- (ii) The Listing Agreements entered into by the Company with Stock Exchange(s) (**Not**

R&A Associates, Company Secretaries

Flat # 101, Sapthagiri Residency, 1-10-98/A, Chikoti Gardens, Begumpet, Hyderabad-500016, India.

Ph: +91 4003 2244 - 47 Email: info@rna-cs.com web: www.rna-cs.com

Branches: Gurgaon & Chennai.

applicable).

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc., mentioned above.

We further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were generally sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

We further report that the Company is engaged into research and development services, drug discovery, development activities and licensing arrangements, as such there are no specific industry laws which are applicable to the Company

We further report that during the audit period the Company has:

- (a) Obtained approval of the shareholders for inter corporate investment in 17,120,131 common stock (equity shares) of M/s. Curis Inc., USA, valuing an amount of approximately USD 26 million (approx. Rs. 161.00 crores).
- (b) Investment of USD 100,000 (USD One hundred thousand only) in common stocks (equity shares) of M/s. Aurigene Discovery Technologies Inc., USA, a wholly-owned subsidiary of the Company, in one or more tranches.

For R & A Associates

(G. Raghunath Babu)
Partner

FCS No.4448, CP No. 2820

Place: Hyderabad
Date : 1st May, 2015

R&A Associates, Company Secretaries

Flat # 101, Sapthagiri Residency, 1-10-98/A, Chikoti Gardens, Begumpet, Hyderabad-500016, India.

Ph: +91 4003 2244 - 47 Email: info@rna-cs.com web: www.rna-cs.com

Branches: Gurgaon & Chennai.

Statement of Particulars of Remuneration of Employees (Employed for full year) in receipt of Remuneration in Excess of 60 lakhs during FY2015

(Pursuant to Section 197(12) of Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014)

Sl No.	Name of the Employee	Age	Designation	Nature of employment	Percentage of Equity Held	Whether employee is relative of any director or	Gross Remuneration (in Rs 000's)	Qualification	Experience in Years	Date of Commencement of Employment	Particulars of Last Employment
1	CSN Murthy	48	CEO	Non-Contractual	0	No	31,197	B Tech, MBA	25	1st April 2005	Dr. Reddy's Laboratories Limited
2	Dr. Murali Ramachandra	54	Sr. Vice President - Pre Clinical Biology	Non-Contractual	0	No	22,768	Ph. D	26	14th February 2005	Schering Plough Corporation, USA
3	Chetan Pandit	54	Vice President - Medicinal Chemistry	Non-Contractual	0	No	13,014	Ph. D	22	2nd April 2007	Naeja Pharmaceuticals
4	Susanta Samajdar	44	Research Director - Medicinal Chemistry	Non-Contractual	0	No	6,202	Ph. D	13	5th March 2012	Jubilant Biosys
5	Ashish Lath	37	Director - Finance	Non-Contractual	0	No	6,240	B Com, ACA	16	29th October 2012	Mahindra Reva Electric Vehicles

Notes:

- 1) All the above employments are non-contractual.
- 2) None of the above employees are related to any Director or manager of the Company.
- 3) None of the above employees, by himself/herself or along with his/her spouse and dependent children holds 2% or more of the equity shares of the Company.

FORM NO. MGT-9**EXTRACT OF ANNUAL RETURN**

As on the financial year ended on 31 March, 2015

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

Sr. No.	Particulars	Details
i)	CIN	U24239KA2001PLC029391
ii)	Registration Date	August 10, 2001
iii)	Name of the Company	Aurigene Discovery Technologies Limited
iv)	Category/Sub-Category of the Company	Public Company / Limited by Shares
v)	Address of the Registered office and contact details	39/40(P), KIADB Industrial area, Electronics City Phase II, Bengaluru, Karnataka - 560 100 Tel: +91-80-7102 5444 Fax: +91-80-2852 6285 Email id: keshavmurthy_s@aurigene.com
vi)	Whether listed company Yes/No	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	NA

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company are given below:

Sr. no.	Name and Description of main products/services	NIC Code of the product/ service	% to total turnover of the company
1	Research and scientific services not classified elsewhere such as those rendered by institutions and laboratories engaged in research in the biological, physical and social sciences, meteorological institutes and medical research organisations etc.	922	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. no.	Name of the Company	Address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% of shares held*	Applicable Section
1	Dr. Reddy's Laboratories Limited	8-2-337, Road no. 3, Banjara Hills, Hyderabad-500 034	L85195TG1984PLC004507	Holding	100	2(46)
2	Aurigene Discovery Technologies Inc., USA	107, College Road (E), Princeton, New Jersey - 08540, USA.	NA	Subsidiary	100	2(87)(ii)
3	Aurigene Discovery Technologies (Malaysia) SDN BHD	Aras 2, kompleks Pengurusan Penyelidikan & Inovasi (Level 2, Research Management & Innovation complex), University of Malaya, lembah Pantai 50603, Kuala Lumpur, Malaysia.	NA	Subsidiary	100	2(87)(ii)

* Represents aggregate % of shares held.

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Grand Total (A+B+C)	0	90,544,104	90,544,104(*)	100	0	90,544,104	90,544,104 (*)	100	0
----------------------------	----------	-------------------	----------------------	------------	----------	-------------------	-----------------------	------------	----------

(*) Out of 90,544,104 equity shares, 15 equity shares are held by six individuals as nominee shareholders on behalf of Dr. Reddy's Laboratories Limited, Holding Company.

ii) Shareholding of Promoters

Sr. no.	Category of Shareholders	No. of shares held at the beginning of the year			No. of shares held at the end of the year			% change during the year
		No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares*	No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares*	
1	Dr. Reddy's Laboratories Limited	90,544,104	100	0	90,544,104	100	0	0
		90,544,104	100	0	90,544,104	100	0	0

iii) Change in Promoters' Shareholding

	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
At the beginning of the year	No change during the year			
Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/ transfer/bonus/sweat equity etc):				
At the End of the year				

iv) Shareholding pattern of top ten Shareholders (other than Directors, Promoters and holders of GDRs and ADRs)

Name	Shareholding at the beginning of the year		Shareholding at the end of the year	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
NIL				

v) Shareholding of Directors and Key Managerial personnel

Sr. no.	Name	Date	Shareholding at the beginning of the year		Increase / (Decrease) in Shareholding, if any	Reason	Cumulative Shareholding during the year	
			No. of Shares (*)	% of total shares of the company			No. of Shares	% of total shares of the company
A. DIRECTORS								
1	Mr. Satish Reddy (Director)	01.04.2014	1	0	0	0	0	0
		31.03.2015	1	0	0	0	0	0
2	Mr. G V Prasad (Director)	01.04.2014	1	0	0	0	0	0
		31.03.2015	1	0	0	0	0	0
3	Mr. Saumen Chakraborty (Director)	01.04.2014	1	0	0	0	0	0
		31.03.2015	1	0	0	0	0	0
4	Mr. Hariharnath Buggana (Independent Director)	01.04.2014	0	0	0	0	0	0
		31.03.2015	0	0	0	0	0	0
5	Dr. Bruce L A Carter (Independent Director)	01.04.2014	0	0	0	0	0	0
		31.03.2015	0	0	0	0	0	0
B. KEY MANAGEMENT PERSONNEL (KMPs)								
6	Mr. CSN Murthy (Chief Executive Officer)	01.04.2014	10	0	0	0	0	0
		31.03.2015	10	0	0	0	0	0

7	Mr. Ashish Lath (Chief Financial Officer)	01.04.2014	1	0	0	0	0
		31.03.2015	1	0	0	0	0

* Held as nominee shareholders on behalf of Dr. Reddy's Laboratories Limited, Holding Company.

VIII. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year (April 1, 2014)				
i) Principal Amount	0	0	0	0
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	0	0	0	0
Total (i+ii+iii)	0	0	0	0
Change in Indebtedness during the financial year				
Addition	0	0	0	0
Reduction	0	0	0	0
Net Change	0	0	0	0
Indebtedness at the end of the financial year (March 31, 2015)				
i) Principal Amount	0	0	0	0
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	0	0	0	0
Total (i+ii+iii)	0	0	0	0

IX. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A) **Remuneration of Managing Director, Whole-time Director and/or Manager** - Not applicable since the Company doesn't have a Managing Director, Whole-Time Director and/or Manager.

B) **Remuneration of other directors** - NIL

C) **Remuneration of Key Managerial Personnel other than MD/WTD/Manager**

(Rupees in millions)

Sr. no.	Particulars of Remuneration	Key Managerial Personnels			Total Amount
		CEO	CFO	Company Secretary	
		CSN Murthy	Ashish Lath	Arwa Rangwala	
1	Gross Salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	31,197,000	6,240,333	0	37,437,333
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0	0	0	0
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	0	0	0	0
2	Stock Option	0	0	0	0
3	Sweat Equity	0	0	0	0
4	Commission	0	0	0	0
	- as a % of profit	0	0	0	0
	- others	0	0	0	0
5	Others, please specify - Company's contribution to PF	0	0	0	0
	Total (A)	31,197,000	6,240,333	0	37,437,333

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES – There were no penalties/punishments/compounding of offences during the year.

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 31 March 2015, the Statement of Profit and Loss, the 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

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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.

Aurigene Discovery Technologies Limited
Independent Auditor's Report (continued)

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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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, of the state of affairs of the Company as at 31 March 2015, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2015 ('the Order'), as amended, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
 - a) We have sought and 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 it appears from our examination of those books;
 - c) The Balance Sheet, Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;

Aurigene Discovery Technologies Limited
Independent Auditor's Report (continued)

- e) On the basis of written representations received from the directors as on 31 March 2015, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2015, from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - (i) The Company has disclosed the impact of pending litigation on its financial position in its financial statements. Refer Note 22(a) (iii) to the financial statements;
 - (ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - (iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

for B S R & Co. LLP
Chartered Accountants
Firm registration number: 101248W/W-100022

Sampad Guha Thakurta
Partner
Membership number: 060573

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 2015. 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 during the year.
- (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 unsecured interest free loans to two body corporates covered in the register maintained under Section 189 of the Companies Act, 2013 ('the Act').
- (b) The terms of arrangements do not stipulate any repayment schedule and the loans were repayable on demand. During the year, the entire amount of loan has been repaid by the borrower and accordingly paragraph 3(iii)(b) is not applicable.
- (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 specialized 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 the 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 the internal control system during the course of the audit.
- (v) The Company has not accepted any deposits from the public.
- (vi) The Central Government of India has not prescribed the maintenance of cost records under sub-section 148(1) of the Act for any of the services rendered by the Company.
- (vii)(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, Value added tax and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Wealth tax, Excise duty and cess. We are informed that the provisions of the Employees' State Insurance Act, 1948 (ESI) are not applicable to the Company.

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

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, Value added tax and other material statutory dues were outstanding as at 31 March 2015 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 Sales-tax, Service-tax, Custom duty, Value added tax and Cess which have not been deposited with the appropriate authorities on account of any dispute. However, according to information and explanations given to us, the following dues of Income tax have not been deposited by the Company on account of disputes:

Name of the statute	Nature of dues	Amount (in Rs.)	Period to which the amount relates	Forum where dispute is pending
The Income Tax Act, 1961	Income Tax and interest demanded	11,18,99,070 (Amount paid under protest Rs. 3,50,00,000)	Assessment Year 2012-13	Commissioner of Income Tax (Appeals), Bangalore

- (c) The Company did not have any dues on account of Investor Education and Protection Fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder.
- (viii) The Company does not have any 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.
- (ix) The Company did not have any outstanding dues to any financial institutions, banks or debenture holders during the year.
- (x) 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.
- (xi) The Company did not have any term loans outstanding during the year.
- (xii) 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 number: 101248W/W-100022

Sampad Guha Thakurta
Partner
Membership number: 060573
Bangalore
Date:

Aurigene Discovery Technologies Limited
Balance sheet as at 31 March 2015

	Notes	As at 31 March 2015	(Rs in lakhs) As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	9,054	9,054
Reserves and surplus	3	2,138	3,372
		11,192	12,426
Non-current liabilities			
Other long-term liabilities	4	19,262	7,937
Long-term provisions	5	254	345
		19,516	8,282
Current liabilities			
Trade payables	6	388	287
Other current liabilities	7	4,345	1,766
Short-term provisions	8	3,559	2,742
		8,292	4,795
		39,000	25,503
ASSETS			
Non-current assets			
Fixed assets	9		
- Tangible assets		6,029	6,157
- Intangible assets		-	-
- Capital work-in-progress		1	-
		6,030	6,157
Non-current investments	10	14,736	156
Deferred tax assets (net)	22(i)	200	241
Long-term loans and advances	11	36	36
		14,972	433
Current assets			
Inventories	12	54	53
Trade receivables	13	1,558	2,059
Cash and bank balances	14	15,814	16,075
Short-term loans and advances	15	444	585
Other current assets	16	128	141
		17,998	18,913
		39,000	25,503

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/ W-100022

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
**Chief Financial
Officer**

Arwa Rangwala
Company secretary

Bangalore
Date:

Date:

Aurigene Discovery Technologies Limited
Statement of profit and loss for the year ended 31 March 2015

	Notes	For the year ended 31 March 2015	(Rs in lakhs) For the year ended 31 March 2014
Revenue			
Revenue from operations	17	13,220	13,141
Other income	18	1,546	683
		14,766	13,824
Expenses			
Employee benefits expense	19	5,649	4,824
Finance cost	20	179	149
Depreciation and amortization expense	9	1,035	984
Other expenses	21	6,755	6,593
		13,618	12,550
Profit before tax		1,148	1,274
Tax expense:			
- current tax		(539)	(656)
- current tax for earlier years		105	-
- deferred tax credit/(charge) for earlier years		(117)	-
- deferred tax credit/(charge)		77	175
Profit for the year		674	793
Earnings per share (equity shares, par value of Rs 10 each)			
- Basic (Par value, Rs 10 each)	22(j)	0.74	0.88
- Diluted (Par value, Rs 10 each)	22(j)	0.74	0.88

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/ W-100022

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
**Chief Financial
Officer**

Arwa Rangwala
Company secretary

Bangalore
Date:

Date:

Aurigene Discovery Technologies Limited

Cash flow statement

		(Rs in lakhs)
	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from operating activities		
Profit before tax	1,148	1,274
Adjustments:		
Depreciation and Amortization	1,035	984
Finance cost	179	149
Unrealised foreign exchange gain	(5)	(272)
Assets discarded/ profit on sale of fixed assets	(8)	48
Interest income	(1,463)	(614)
Operating cash flows before working capital changes	886	1,569
Changes in trade receivables	504	(74)
Changes in inventories	(1)	6
Changes in unbilled revenue	12	62
Changes in loans and advances	(72)	53
Changes in liabilities and provisions	(567)	9,026
Cash generated from operations	761	10,642
Income-tax paid	(851)	(437)
Net cash generated by/ (used in) operating activities	(90)	10,205
Cash flows from investing activities		
Purchase of fixed assets	(885)	(858)
Proceeds from sale of fixed assets	22	-
Interest received	1,464	555
Advances refunded by subsidiaries	399	244
Advances given to subsidiaries	(186)	(224)
Equity investment in subsidiary	(63)	-
Investment in fixed deposits having original maturity of more than 3 but less than 12 months.	(989)	(6,986)
Net cash used in investing activities	(238)	(7,269)
Cash flows from financing activities		
Repayment of preference share capital	-	(1,475)
Dividend paid	(788)	(118)
Tax on dividend	(134)	(20)
Net cash used in financing activities	(922)	(1,613)
Net Increase/(Decrease) in cash and cash equivalents	(1,251)	1,323
Cash and cash equivalents at the beginning of the year	2,709	1,114
Effect of exchange gain on cash and cash equivalents	1	272
Cash and cash equivalents at the end of the year (Refer note 3 below)	1,459	2,709

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:

	As at 31 March 2015	As at 31 March 2014
Cash on hand	1	1
Balance with banks		
on current account	378	304
on deposit account (with original maturity of 3 months or less)	1,080	2,404
	1,459	2,709

As per our report of even date attached
for **B S R & Co. LLP**
Chartered Accountants
Firm registration no. 101248W/ W-100022

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
**Chief Financial
Officer**

Arwa Rangwala
Company secretary

Bangalore
Date:

Date:

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended 31 March 2015

2 Share capital

	(Rs in lakhs)	
	As at 31 March 2015	As at 31 March 2014
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
	<u>14,000</u>	<u>14,000</u>
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
	<u>9,054</u>	<u>9,054</u>

Note 1

Of the above issued, subscribed and paid up equity shares 90,544,089 (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 15 (Previous year : 16) equity shares are held by the nominees of DRL. DRL is the ultimate holding company.

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

Equity shares	31 March 2015		31 March 2014	
	Number of shares	Amount	Number of shares	Amount
At the commencement of the year	9,05,44,104	9,054	9,05,44,104	9,054
Number of shares issued during the year	-	-	-	-
At the end of the year	<u>9,05,44,104</u>	<u>9,054</u>	<u>9,05,44,104</u>	<u>9,054</u>
Preference shares	As at 31 March 2015		31 March 2014	
	Number of shares	Amount	Number of shares	Amount
At the commencement of the year	-	-	1,47,50,000	1,475
Number of shares redeemed during the year	-	-	1,47,50,000	1,475
At the end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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 2015		31 March 2014	
	No of shares	% holding	No of shares	% holding
Dr. Reddy's Laboratories Limited (Holding company)	9,05,44,088	100%	9,05,44,088	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 2015	As at 31 March 2014	As at 31 March 2013	As at 31 March 2012	As at 31 March 2011
Nil (Previous year : Nil) 8 % cumulative redeemable preference shares of Rs. 10 each, fully paid up	-	-	1,47,50,000	1,47,50,000	1,47,50,000
	<u>-</u>	<u>-</u>	<u>1,47,50,000</u>	<u>1,47,50,000</u>	<u>1,47,50,000</u>

e. During the five-year period ended on 31 March 2015, no shares have been bought back.

Aurigene Discovery Technologies Limited

Notes to the financial statements for the year ended 31 March 2015

3 Reserves and surplus

	(Rs in lakhs)	
	As at <u>31 March 2015</u>	As at <u>31 March 2014</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	1,475	-
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>1,475</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	1,270	2,874
Add: profit for the year	674	793
Less: Appropriations		
Proposed dividend	(1,585)	(788)
Tax on dividend	(323)	(134)
Transfer to capital redemption reserve	-	(1,475)
Net surplus in the statement of profit and loss	<u>36</u>	<u>1,270</u>
	<u>2,138</u>	<u>3,372</u>

4 Other long-term liabilities

	As at <u>31 March 2015</u>	As at <u>31 March 2014</u>
Income received in advance (refer note 22(p))	19,262	7,937
	<u>19,262</u>	<u>7,937</u>

5 Long-term provisions

	As at <u>31 March 2015</u>	As at <u>31 March 2014</u>
Provision for employee benefits*		
- Long term incentives	254	345
	<u>254</u>	<u>345</u>

* Refer note 22(g)

Aurigene Discovery Technologies Limited

Notes to the financial statements for the year ended 31 March 2015

6 Trade payables

	As at 31 March 2015	(Rs in lakhs) As at 31 March 2014
Trade payables		
- Dues to micro and small enterprises*	-	-
- Other creditors	388	287
	<u>388</u>	<u>287</u>
* Refer note 22(n)		

7 Other current liabilities

	As at 31 March 2015	(Rs in lakhs) As at 31 March 2014
Income received in advance refer note 22(p)	3,159	1,212
Creditors for capital goods	130	95
Accrued expenses	103	71
Accrued salaries and benefits	870	275
Other payables - statutory liabilities	83	113
	<u>4,345</u>	<u>1,766</u>

8 Short-term provisions

	As at 31 March 2015	(Rs in lakhs) As at 31 March 2014
Provision for employee benefits		
- Gratuity	79	8
- Compensated absences	19	21
Provision for taxation, net of advance tax	1,553	1,791
Other Provisions		
- Provision for dividend on equity shares	1,585	788
- Provision for tax on dividend	323	134
	<u>3,559</u>	<u>2,742</u>

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended 31 March 2015

9 Fixed assets

Following are the changes in the carrying value of fixed asset for the year ended 31 March 2015:

(Rs in lakhs)

Description	Gross block				Accumulated depreciation				Net block	
	As at 1 April 2014	Additions/ adjustments	Deletions/ Transfers	As at 31 March 2015	As at 1 April 2014	Depreciation/ amortisation for the year	Deletions	As at 31 March 2015	As at 31 March 2015	As at 31 March 2014
Tangible, owned										
Land	530	-	-	530	-	-	-	-	530	530
Buildings	3,470	-	-	3,470	896	115	-	1,011	2,459	2,574
Laboratory equipment	7,232	706	66	7,870	4,977	663	66	5,574	2,296	2,255
Electrical equipment	1,618	52	45	1,625	1,215	93	38	1,269	357	403
Plant and machinery - others	222	-	1	221	140	24	1	164	57	82
Computers	737	78	10	806	612	75	8	679	127	125
Furniture and fixtures	701	52	31	721	604	34	29	609	112	97
Vehicles	104	20	39	87	80	11	36	56	31	24
Office equipment	250	13	0	263	184	19	0	203	60	67
Total A	14,864	921	192	15,592	8,708	1,035	178	9,565	6,028	6,157
Intangible assets										
Technical know how	140	-	140	-	140	-	140	-	-	-
Total B	140	-	140	-	140	-	140	-	-	-
Capital work-in-progress	-	1	-	1	-	-	-	-	1	-
Total C	-	1	-	1	-	-	-	-	1	-
Total D (A + B + C)	15,004	922	332	15,593	8,848	1,035	318	9,565	6,029	6,157

Following are the changes in the carrying value of fixed asset for the year ended 31 March 2014:

(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

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended 31 March 2015

10 Non-current investments	(Rs in lakhs)	
	As at	As at
	31 March 2015	31 March 2014
I. Trade investment quoted		
Investment in equity instrument		
17,120,131 (Previous year : Nil) common stock of USD 0.01 each, fully paid up, of Curis Inc., USA	14,517	-
Total Quoted Investments	14,517	-
II. Trade investment unquoted		
Investment in equity instrument		
5,215,000 (Previous year : 5,115,000) common stock of USD 1 each, fully paid up, of Aurigene Discovery Technologies Inc., U.S.A., subsidiary company	2,465	2,402
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 Unquoted Investments	2,621	2,558
Less : Provision for diminution in value of investments	(2,402)	(2,402)
Net investments	219	156
Total quoted and unquoted investments	14,736	156
Aggregate market value of quoted investments	25,680	-
Aggregate book value of quoted investments	14,517	-
Aggregate book value of unquoted investments	2,621	2,558
Aggregate provision for diminution in value of investments	(2,402)	(2,402)
11 Long-term loans and advances	(Rs in lakhs)	
	As at	As at
	31 March 2015	31 March 2014
<i>Unsecured, considered good</i>		
Capital advances	2	4
Prepaid expenses	2	-
Security deposits	32	32
	36	36
12 Inventories	(Rs in lakhs)	
	As at	As at
	31 March 2015	31 March 2014
Consumables	54	53
	54	53
13 Trade receivables	(Rs in lakhs)	
	As at	As at
	31 March 2015	31 March 2014
Receivables outstanding for a period exceeding six months from the day they became due for payment		
Unsecured		
- considered good	-	1
- considered doubtful	-	-
	-	1
Other receivables		
Unsecured		
- considered good	1,558	2,058
- considered doubtful	-	-
	1,558	2,058
Less: Provision for doubtful receivables	-	-
	1,558	2,059

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended 31 March 2015

14 Cash and bank balances

	(Rs in lakhs)
	As at
	As at
	31 March 2015
	31 March 2014
Cash and cash equivalents	
Cash on hand	1
Balance with banks	
on current account	378
on deposit account (with original maturity of 3 months or less)	1,080
	<u>1,459</u>
Other bank balances (due to mature within 12 month of the reporting date)	14,355
	<u>15,814</u>
	<u>16,075</u>

15 Short-term loans and advances

	(Rs in lakhs)
	As at
	As at
	31 March 2015
	31 March 2014
<i>Unsecured, considered good</i>	
Loans and advances to related parties *	-
Loans and advances to employees	3
Other loans and advances	441
	<u>444</u>
	<u>585</u>

* Loans and advances to related parties considered good

Aurigene Discovery Technologies, Malaysia	-	130
Aurigene Discovery Technologies Inc - USA	-	83

Other loans and advances include:

Prepaid expenses	144	157
Advances to suppliers	77	23
VAT input credit	73	64
Security deposits	4	4
Service tax input credit net	123	114
Other receivables	20	8
	<u>441</u>	<u>370</u>

16 Other current assets

	(Rs in lakhs)	
	As at	
	As at	
	31 March 2015	
	31 March 2014	
Unbilled revenue	57	69
Interest accrued but not due	71	72
	<u>128</u>	<u>141</u>

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended 31 March 2015

17 Revenue from operations	For the year ended 31 March 2015	(Rs in Lakhs) For the year ended 31 March 2014
Income from services	13,163	13,128
Other operating income	57	13
	13,220	13,141
18 Other income	For the year ended 31 March 2015	(Rs in Lakhs) For the year ended 31 March 2014
Interest income	1,463	614
Foreign exchange gain	56	59
Other non-operating income	19	10
Profit on sale of fixed assets	8	-
	1,546	683
19 Employee benefits expense	For the year ended 31 March 2015	(Rs in Lakhs) For the year ended 31 March 2014
Salaries and wages	5,238	4,447
Contribution to provident and other funds		
- Provident fund	216	199
- Superannuation scheme	5	8
Staff welfare expenses	190	170
	5,649	4,824
20 Finance costs	For the year ended 31 March 2015	(Rs in Lakhs) For the year ended 31 March 2014
Interest on Income Tax	179	149
	179	149
21 Other expenses	For the year ended 31 March 2015	(Rs in Lakhs) For the year ended 31 March 2014
Laboratory consumables	3,593	3,606
Power and fuel	502	491
Rent	148	148
Repairs and maintenance		
Buildings	200	57
Plant and machinery	479	403
Others	373	337
Traveling and conveyance	305	268
Legal and professional charges	226	167
Business development	338	581
Communication	45	32
Membership and subscription	95	33
Rates and taxes	12	7
Insurance	40	35
Bank charges	26	22
Handling charges	68	80
Software expenses	178	158
Recruitment charges	10	7
Security charges	47	46
Safety and environmental charges	51	52
Printing and stationery	18	14
Assets discarded	-	48
Miscellaneous expenses	1	1
	6,755	6,593

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended 31 March 2015

Background

Aurigene Discovery Technologies Limited ('Aurigene' or 'the Company') was incorporated as a Private Limited Company on 10 August 2001. Subsequently, on 13 November 2001, the Company was converted into a Public Limited Company. The Company is promoted by Dr. Reddy's Laboratories Limited ('DRL') and is a wholly owned subsidiary of DRL. The main business activity of the Company is to undertake research relating to drug discovery for its customers. The Company commenced its commercial operations from 1 April 2003.

1. Significant accounting policies

a) Basis of preparation of financial statements

These financial statements have been prepared in accordance with the Indian Generally Accepted Accounting Principles ('GAAP') under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards referred to in sub-section (3C) of Section 211 of 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, other pronouncements of the Institute of Chartered Accountants of India ("ICAI") and the relevant provisions of the Act, to the extent applicable. The financial statements are presented in Indian rupees and rounded off to nearest rupees lakhs.

b) Current–non-current classification

All assets and liabilities are classified into current and non-current.

Assets

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

- a. it is expected to be realized 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 realized 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. Current assets include the current portion of non-current financial assets.

All other assets are classified as non-current.

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 liabilities include current portion of non-current financial liabilities.

All other liabilities are classified as non-current.

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended 31 March 2015 (continued)

1. Significant accounting policies (continued)

Operating cycle

Operating cycle is the time between the acquisition of assets for processing and their realization in cash or cash equivalents.

c) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure relating to contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

d) Inventories

Consumables are valued at cost. Cost comprises purchase price and all incidental expenses incurred in bringing the inventory to its present location and condition. Cost is determined on the weighted average method.

e) Revenue recognition

The Company derives its revenue mainly from research and development services, drug discovery and development activities and licensing arrangements. Revenue from services rendered, which primarily relate to contract research, is recognized in the statement of profit or loss as the underlying services are performed. Upfront non-refundable payments received under research and collaboration agreements are deferred and recognized as revenue over the expected period over which the related services are expected to be performed.

Milestone payments under research and collaboration agreements are recognized as revenue when the milestone is achieved.

Upfront non-refundable licensing fees received under licensing arrangements are deferred and recognized over the estimated period of involvement.

Interest on deployment of funds is recognized using the time proportion method, based on underlying interest rates.

f) Fixed assets and depreciation

Fixed assets are carried at cost of acquisition or construction, less accumulated depreciation and impairment loss, if any. The cost of fixed assets includes freight, duties, taxes and other incidental expenses related to the acquisition of respective assets. Acquired intangible assets are recorded at the consideration paid for acquisition. Application software purchased which has a useful life of less than one year is fully depreciated in the year of purchase.

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended 31 March 2015 (continued)

1 Significant accounting policies (continued)

f) Fixed 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. 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.

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

Asset Description	Useful life
Buildings	30 years
Laboratory equipment	8 years
Electrical equipment	8 years
Plant and machinery – others	8 years
Computers	3 years
Office equipment	5 - 8 years
Furniture and fixtures	8 years
Vehicles	5 years
Technical know-how	3 years

In terms of proviso to clause 3(i) of Part A of Schedule II to the Companies Act, 2013 (the Act), the Company based on its technical evaluation concluded that its existing useful life determined hitherto is appropriate and accordingly has decided to retain the same adopted for various categories of fixed assets, which in certain cases, differ from those prescribed in Schedule II to the Companies Act, 2013.

g) Borrowing costs

Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalized.

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended 31 March 2015 (continued)

1. Significant accounting policies (continued)

h) Impairment of assets

The Company periodically assesses whether there is any indication that an asset or a group of assets comprising a cash generating unit may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. For an asset or group of assets that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. 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 recognized in the statement of profit and loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined; if no impairment loss had been recognized.

i) Foreign currency transactions

Foreign currency transactions during the year are recorded at the exchange rate prevailing on the date of the transaction. Exchange differences arising on foreign currency transactions settled during the year are recognized in the statement of profit and loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the exchange rates on that date, the resultant exchange differences are recognized in the statement of profit and loss.

j) Employee benefits

Short-term employee benefits

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, bonus and ex-gratia. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognized as an expense as the related service is rendered by employees.

Post-employment benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Company makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. The Company's contribution is recognized as an expense in the statement of profit and loss during the period in which the employee renders the related service.

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended 31 March 2015 (continued)

1. Significant accounting policies (continued)

j) Employee benefits (continued)

Defined benefit plans

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The calculation of the Company's obligation under the plans is performed annually by a qualified actuary using the projected unit credit method.

The Company recognizes all actuarial gains and losses arising from defined benefit plans immediately in the statement of profit and loss. All expenses related to defined benefit plans are recognized in employee benefits expense in the statement of profit and loss. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognized in statement of profit and loss on a straight-line basis over the average period until the benefits become vested. The Company recognizes gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs.

Compensated Absences

The Company provides for encashment of compensated absences payable to employees at the end of each financial year. These employees can also carry forward a portion of the unutilized compensated absences and utilize it in the subsequent year or receive cash compensation on termination of employment in the subsequent year. Since the compensated absences fall due wholly within twelve months after the end of the period in which the employees render the related service and are also expected to be utilized wholly within twelve months after the end of such period, the benefit is classified as a short-term employee benefit.

k) Investments

Investments that are readily realizable and intended to be held for not more than a year from the date of acquisition are classified as current investments. All other investments are classified as long-term investments. However, that part of long term investments which is expected to be realized within 12 months after the reporting date is also presented under 'current assets' as "current portion of long term investments" in consonance with the current/non-current classification scheme of revised Schedule VI.

Long-term investments (including current portion thereof) are carried at cost less any other-than-temporary diminution in value, determined separately for each individual investment.

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 investments i.e., equity shares, preference shares, convertible debentures etc.

Any reductions in the carrying amount and any reversals of such reductions are charged or credited to the Statement of Profit and Loss. Long term investments are carried at cost less other-than-temporary diminution in value, determined separately for each individual investment.

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended 31 March 2015 (continued)

1. Significant accounting policies (continued)

l) Leases

Assets acquired under leases other than finance leases are classified as operating leases. The total lease rentals (including scheduled rental increases) in respect of an asset taken on operating lease are charged to the Statement of Profit and Loss on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit. Initial direct costs incurred specifically for an operating lease are deferred and charged to the Statement of Profit and Loss over the lease term

Assets given by the Company under operating lease are included in fixed assets. Lease income from operating leases is recognized in the Statement of Profit and Loss on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. Costs, including depreciation, incurred in earning the lease income are recognized as expenses. Initial direct costs incurred specifically for an operating lease are deferred and recognized in the Statement of Profit and Loss over the lease term in proportion to the recognition of lease income.

m) Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to the equity shareholders for the year by the weighted average number of equity shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also the weighted average number of equity shares, which could have been issued on the conversion of all dilutive potential shares. In computing dilutive earnings per share, only potential equity shares that are dilutive and that decrease profit per share are included.

n) Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward of business losses under taxation laws, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realized.

The Company offsets, on a year on year basis, current tax assets and liabilities, where it has a legally enforceable right and where it intends to settle such assets and liabilities on a net basis.

o) Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flow from regular revenue generating, investing and financing activities of the company is segregated.

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended 31 March 2015 (continued)

1. Significant accounting policies (continued)

p) Cash and cash equivalents

Cash and cash equivalent in cash flow statement comprises cash on hand and demand deposits with bank with original maturity of 3 months or less , that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value.

q) Employee stock options

The Company accounts for stock based compensation based on the intrinsic value method. 'Option Discount' has been amortized on a straight-line basis over the vesting period of the shares issued under Employee Stock Option Plans ('ESOP').

'Option Discount' means the excess of the market price/fair value of the underlying shares at the date of grant of the options over the exercise price of the options.

r) Provision and Contingencies

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognized at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The provisions are measured on an undiscounted basis.

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 recognizes any impairment loss on the assets associated with that contract.

Contingencies

Provision in respect of loss contingencies relating to claims, litigation, assessment, fines, penalties, etc. are recognized when it is probable that a liability has been incurred, and the amount can be estimated reliably.

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 2015 was Rs 41 lakhs (Previous year: Rs 29 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 2015, the Company has a positive Net Foreign Exchange Earning, as defined in the Foreign Trade Policy 2009-2014 and 2015-2020 wherever applicable.
- (iii) The Andhra Pradesh Electricity Regulatory Commission (the “APERC”) has passed various orders approving the levy of Fuel Surcharge Adjustment (“FSA”) charges for the period from 1 April 2008 to 31 March 2013 by power distribution companies from all the consumers of electricity in the state of Andhra Pradesh, India. Our parent company filed separate Writs of Mandamus before the High Court of Andhra Pradesh challenging and questioning the validity and legality of this levy of FSA charges by the APERC for various periods.

As of 31 March 2015, the Company has paid, under protest, an amount of Rs 17 Lakhs (Previous Year Rs 5 Lakhs) demanded by the power distribution companies as part of monthly electricity bills. Amounts paid under protest has been disclosed under loans and advances in the balance sheet.

Since the Company has already paid the aforesaid amount along with the electricity bill, the Company does not foresee any material future outflow for the same.

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

(Rs in Lakhs)

Particulars	For the year ended 31 March 2015		For the year ended 31 March 2014	
	Value	% of total consumption	Value	% of total consumption
Lab consumables (excluding job work)				
Imported	1,777	49%	1,935	54%
Indigenous	1,816	51%	1,671	46%
Total	3,593	100%	3,606	100%
Spare parts (included in repairs and maintenance)				
Imported	93	19%	98	24%
Indigenous	386	81%	305	76%
Total	479	100%	403	100%

c) CIF value of imports

(Rs in Lakhs)

Particulars	Year ended 31 March 2015	Year ended 31 March 2014
Laboratory consumables	1,777	1,935
Capital goods	364	199
Spare parts	93	98
Total	2,234	2,232

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

d) **Expenditure in foreign currency**

(Rs in Lakhs)

Particulars	Year ended 31 March 2015	Year ended 31 March 2014
Travelling and conveyance	39	34
Legal and professional charges	173	80
Business development	301	334
Others	189	163
Total	702	611

e) **Earnings in foreign currency**

(Rs in Lakhs)

Particulars	Year ended 31 March 2015	Year ended 31 March 2014
Income from operations	11,615	11,784

f) **Auditors' remuneration**

(Rs in Lakhs)

Particulars	Year ended 31 March 2015	Year ended 31 March 2014
Statutory audit	10	7
Out of pocket expenses	-	-
Total	10	7

* Excludes applicable service tax.

- g) Disclosure in respect of employee benefits under Accounting Standard (AS) – 15 (Revised) “Employee Benefits” specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.

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 2015	Year ended 31 March 2014
Change in defined benefit obligation		
Opening defined benefit obligation	463	380
Current service cost	70	63
Interest cost	45	33
Actuarial losses	38	41
Benefits paid	(71)	(54)
Present value of defined benefit obligation	546	463
Fair value of plan assets	467	455
Closing value of defined benefit obligation	79	8

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

Change in the fair value of assets

(Rs in Lakhs)

Particulars	Year ended 31 March 2015	Year ended 31 March 2014
Opening fair value of plan assets	455	365
Contributions during the year	34	110
Benefits paid	(71)	(54)
Expected return on plan assets	49	34
Closing fair value of plan assets	467	455

Gratuity cost for the year

(Rs in Lakhs)

Particulars	Year ended 31 March 2015	Year ended 31 March 2014
Current service cost	70	63
Interest on defined benefit obligation	45	33
Net actuarial losses	30	41
Expected return on plan assets	(41)	(34)
Total, included in "Salaries and wages"	104	103

Gratuity break-up

Particulars	Year ended 31 March 2015	Year ended 31 March 2014
Non-current portion	-	-
Current portion	79	8
Total	79	8

Assumptions at the valuation date

Particulars	Year ended 31 March 2015	Year ended 31 March 2014
Discount rate	8%	9%
Salary escalation rate	10%	11% for first 2 years and 10% thereafter
Average attrition rate	14.72%	14.86%

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.

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

Experience adjustments

Particulars	Year ended				
	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011
Defined benefit obligation	546	463	380	278	252
Plan assets	467	455	365	-	-
Surplus / (deficit)	(79)	(8)	(15)	(278)	(252)
Experience adjustment on plan liabilities	17	36	5	(2)	2
Experience adjustment on plan assets	8	5	-	-	-

Long term incentives

The Company in FY 2010-11 instituted a long term incentive plan for rewarding and motivating its senior employees who have been loyal to the Company and contributed to the growth of the Company. The plan was revised in May 2014 and the amount payable would be determined based on the parameters of growth in business, profit and cash flow as set out in the policy. Given below is the details of amounts accounted:

Particulars	Year ended 31 March 2015	Year ended 31 March 2014
Long term incentive liability in Rs. Lakhs	719	345
Non-current portion in Rs. Lakhs	254	345
Current portion in Rs. Lakhs	464	-

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 148 Lakhs).

i) Deferred taxes

Components of deferred tax assets and liabilities are:

Particulars	(Rs in Lakhs)	
	As at 31 March 2015	As at 31 March 2014
Deferred tax asset		
Fixed assets	114	124
Provision for expenses	86	117
Deferred tax asset	200	241

j) Earnings per share (EPS)

(Rs in Lakhs, except for share data)

Particulars	Year ended 31 March 2015	Year ended 31 March 2014
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/diluted	90,544,104	90,544,104
Net profit after tax attributable to equity share holders	674	793
Basic/diluted earnings per share (Rs)	0.74	0.88

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
- Pcovery, an entity in which a director is interested (upto 24th July 2014)
- Promius Pharma LLC. – a fellow subsidiary company
- Mr. CSN Murthy – Chief Executive Officer
- Mr. Ashish Lath – Chief Financial Officer

iii. Particulars of related party transactions

The following is a summary of significant related party transactions:

Particulars	(Rs in Lakhs)	
	Year ended 31 March 2015	Year ended 31 March 2014
Advances to		
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia – subsidiary company	186	43
Aurigene Discovery Technologies Inc., U.S.A - subsidiary company	-	181
Investment in Equity		
Aurigene Discovery Technologies Inc., U.S.A - subsidiary company	63	-
Advances repayment by		
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia – subsidiary company	316	-
Aurigene Discovery Technologies Inc., U.S.A - subsidiary company	83	244
Revenue from operations		
Dr. Reddy Laboratories Limited – ultimate holding company	1,528	1,140
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia – subsidiary company	-	2,147
Promius Pharma, LLC. – fellow subsidiary company	5	-
Pcovery, an entity in which a director is interested	76	222
Fixed assets purchased		
Dr. Reddy Laboratories Limited – ultimate holding company	139	112
Lease Rentals Received		
Dr. Reddy Laboratories Limited – ultimate holding company	19	-
Lab consumables		
Dr. Reddy Laboratories Limited – ultimate holding company	8	10

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

Particulars	Year ended 31 March 2015	Year ended 31 March 2014
Research & development expenses paid to		
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia – subsidiary company	404	-
Power and fuel charges paid		
Dr. Reddy Laboratories Limited – ultimate holding company	273	286
Lease rent paid		
Dr. Reddy Laboratories Limited – ultimate holding company	142	142
Repairs and maintenance		
Dr. Reddy Laboratories Limited – ultimate holding company	36	36
Membership and subscription		
Dr. Reddy Laboratories Limited – ultimate holding company	33	39
Other expenses		
Dr. Reddy Laboratories Limited – ultimate holding company	6	13
Expenses re-charged by Aurigene		
Dr. Reddy Laboratories Limited – ultimate holding company	19	10
Business promotion expense		
CJK Biomedical LLC	12	35
Aurigene Discovery Technologies Inc., U.S.A - subsidiary company	153	332
Salary Paid to Key Management Personnel		
Mr. CSN Murthy – Chief Executive Officer	312	-
Mr. Ashish Lath – Chief Financial Officer	62	-

The following amounts are due from related parties

Particulars	(Rs in Lakhs)	
	As at 31 March 2015	As at 31 March 2014
Due to related parties (included in trade payables)		
Dr. Reddy Laboratories Limited – ultimate holding company	107	122
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia – subsidiary company	37	-
Provision for intercompany expenses with Dr. Reddy Laboratories Limited – ultimate holding company	-	26
Aurigene Discovery Technologies Inc., U.S.A - subsidiary company	33	43
Due from related parties (included in trade receivables)		
Dr. Reddy Laboratories Limited – ultimate holding company	318	207
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia – subsidiary company	-	777
Due from related parties (included in loans and advances)		
Aurigene Discovery Technologies Inc., U.S.A – subsidiary company	-	83
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia – subsidiary company	-	130
Dr. Reddy Laboratories Limited – ultimate holding company	20	3

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

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

(Rs in Lakhs)

Particulars	Year ended 31 March 2015	Year ended 31 March 2014
Investments		
Aurigene Discovery Technologies Inc., U.S.A. – subsidiary company	2,465	2,402
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia – subsidiary company	156	156
Provision for permanent diminution in value of investment		
Aurigene Discovery Technologies Inc., U.S.A. – subsidiary company	2,402	2,402

m) **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 2015 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.

(Rs in Lakhs)

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
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

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

n) **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	Year ended	Year ended	Year ended
		31 March 2015	31 March 2015	31 March 2014	31 March 2014
		Foreign currency	Rs. In lakhs	Foreign currency	Rs. In lakhs
Trade receivable	USD	1,983,875	1,237	3,030,397	1,841
	Euro	-		30,000	
Trade payable	USD	171,111	163	150,701	115
	GBP	5,328		2,549	
	CAD	-		1,006	
	MYR	220,519		-	
	SEK	104,500		-	
	Euro	9,885		24,937	
EEFC Accounts	USD	415,776	136	359,453	215
	EUR	371	0.2	35,859	30

o) **Collaboration arrangement with Curis Inc.**

On 18 January 2015, the Company, entered into a Collaboration, License and Option Agreement (the "Collaboration Agreement") with Curis, Inc. ("Curis") to discover, develop and commercialize small molecule antagonists for immuno-oncology and precision oncology targets.

Under the Collaboration Agreement, Aurigene has the responsibility for conducting all discovery and preclinical activities, including Investigational New Drug ("IND") enabling studies and providing Phase 1 clinical trial supply, and Curis is responsible for all clinical development, regulatory and commercialization efforts worldwide, excluding India and Russia. The Collaboration Agreement provides that the parties will collaborate exclusively in immuno-oncology for an initial period of approximately two years, with the option for Curis to extend the broad immuno-oncology exclusivity.

As a partial consideration for the collaboration, pursuant to a Stock Purchase Agreement dated 18 January 2015, Curis issued to Aurigene approximately 17.1 million shares of its common stock, representing 19.9% of its outstanding common stock immediately prior to the transaction and approximately 16.6% of its outstanding common stock immediately after the transaction. The shares issued to Aurigene are subject to a lock-up agreement until 18 January 2017, with the shares being released from such lock-up in 25% increments on each of 18 July 2015, 18 January 2016, 18 July 2016 and 18 January 2017, subject to acceleration of release of all the shares in connection with a change of control of Curis. Such non-refundable upfront consideration is recognized as revenue over the period in which the Company has continuing performance obligations.

The Company will also receive additional royalties and milestone payments based upon the continued development, regulatory progresses and commercialization of the molecule, which are currently not due.

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

- p) 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.

for B S R & Co. LLP
Chartered Accountants
Firm registration no. 101248W/ W-100022

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

Ashish Lath
**Chief Financial
Officer**

Arwa Rangwala
Company Secretary

Bangalore
Date:

Date:

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

beta Institut gemeinnützige GmbH**Balance Sheet**

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

	Note	As at 31 March 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	5,401	5,401
Reserves and surplus	2.2	(1,947)	(3,039)
		<u>3,454</u>	<u>2,362</u>
Current liabilities			
Other current liabilities	2.3	1,073	2,059
		<u>1,073</u>	<u>2,059</u>
	TOTAL	<u>4,527</u>	<u>4,421</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.4	-	270
		<u>-</u>	<u>270</u>
Current assets			
Cash and bank balances	2.5	4,527	4,068
Other current assets	2.6	-	83
		<u>4,527</u>	<u>4,151</u>
	TOTAL	<u>4,527</u>	<u>4,421</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

Dr. Clemens J. Troche

Director

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 8 May 2015

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 2015	For the year ended 31 March 2014
Income			
Other income		17,063	20,910
Total revenue		<u>17,063</u>	<u>20,910</u>
Expenses			
Employee benefits expense	2.7	11,097	13,757
Finance costs	2.8	-	1
Depreciation and amortization expense	2.5	67	82
Other expenses	2.9	5,944	7,201
Total expenses		<u>17,108</u>	<u>21,041</u>
Loss before tax		(45)	(131)
Tax expense	2.12	-	-
Loss for the year		<u>(45)</u>	<u>(131)</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

Dr. Clemens J. Troche

Director

Place: Hyderabad

Date: 8 May 2015

beta Institut gemeinnützige GmbH
Cash Flow Statement

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Loss before taxation	(45)	(131)
Adjustments:		
Depreciation and amortization expense	67	82
Finance costs	-	1
Operating cash flows before working capital changes	22	(48)
<i>Changes in operating assets and liabilities</i>		
Other assets and liabilities, net	1,387	(13,675)
Cash generated from / (used in) operations	1,409	(13,723)
Income taxes paid, net	-	-
Net cash from / (used in) operating activities	1,409	(13,723)
Cash flows from / (used in) investing activities		
Net cash from / (used in) investing activities	-	0
Cash flows from / (used in) financing activities		
Interest paid	-	(1)
Net cash from / (used in) financing activities	-	(1)
Net increase / (decrease) in cash and cash equivalents	1,409	(13,724)
Cash and cash equivalents at the beginning of the year	4,068	15,175
Effect of foreign exchange gain on cash and cash equivalents	(950)	2,617
Cash and cash equivalents at the end of the year	4,527	4,068
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	4,527	4,068
Other bank balances	-	-
Cash and bank balances at the end of the year	4,527	4,068

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**

Dr. Clemens J. Troche
Director

A Ramachandra Rao
Partner
Membership No. 9750

Place: Hyderabad
Date: 8 May 2015

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

d) 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.

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 and are not discounted to its present value.

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 2015	As at 31 March 2014
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 2015		As at 31 March 2014	
	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 2015	As at 31 March 2014
Foreign currency translation reserve		
Balance at the beginning of the year	(1,976)	1,555
Movement during the year	<u>1,137</u>	<u>(3,531)</u>
	<u>(839)</u>	<u>(1,976)</u>
Deficit		
Balance at the beginning of the year	(1,063)	(932)
Add: Current year loss	<u>(45)</u>	<u>(131)</u>
Balance carried forward	<u>(1,108)</u>	<u>(1,063)</u>
	<u>(1,947)</u>	<u>(3,039)</u>

2.3 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Accrued expenses	742	1,698
Others	<u>331</u>	<u>361</u>
	<u>1,073</u>	<u>2,059</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 01.04.2014	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Furniture and fixtures	11,097	-	10,401	(697)	-	10,827	67	10,401	(494)	-	-	270
Office equipments	11,000	-	10,309	(691)	-	11,000	-	10,309	(690)	-	-	-
Total tangible assets (A)	22,097	-	20,710	(1,388)	-	21,827	67	20,710	(1,184)	-	-	270
Patents and trademarks	5,532	-	-	(1,037)	4,495	5,532	-	-	(1,037)	4,495	-	-
Total intangible assets (B)	5,532	-	-	(1,037)	4,495	5,532	-	-	(1,037)	4,495	-	-
Total (A+B)	27,629	-	20,710	(2,424)	4,495	27,359	67	20,710	(2,221)	4,495	-	270
Previous year	24,167	-	-	3,462	27,629	23,870	82	-	3,407	27,359	270	-

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 2015	As at 31 March 2014
Cash on hand	26	10
Bank balances		
In current accounts	4,501	4,058
	<u>4,527</u>	<u>4,068</u>

2.6 : Other current assets

	As at 31 March 2015	As at 31 March 2014
<i>Considered good</i>		
Other current assets	-	83
	<u>-</u>	<u>83</u>

2.7 : Employee benefits expense

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	9,461	11,945
Contribution to provident and other funds	1,602	1,688
Staff welfare expenses	34	124
	<u>11,097</u>	<u>13,757</u>

2.8 : Finance costs

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest expenses	-	1
	<u>-</u>	<u>1</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)**2.9 : Other expenses**

	For the year ended 31 March 2015	For the year ended 31 March 2014
Legal and professional	901	117
Other selling expenses	20	558
Communication	306	378
Other general expenses	4,715	6,148
	<u>5,944</u>	<u>7,201</u>

2.10 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2015 (previous year: Nil).

2.11 : Related party disclosures

a. The Company has following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i. Reimbursement of operating and other expenses by holding company and other group companies:		
betapharm Arzneimittel GmbH	21,016	-
ii. Reimbursement of operating and other expenses to holding company and other group companies:		
betapharm Arzneimittel GmbH	1,104	-
Reddy Holding GmbH	3,244	-

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

Dr. Clemens J. Troche

Director

Place: Hyderabad

Date: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

betapharm Arzneimittel GmbH

Balance Sheet

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

	Note	As at 31 March 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	598	598
Reserves and surplus	2.2	8,911	40,422
		<u>9,509</u>	<u>41,020</u>
Non current liabilities			
Long term borrowings	2.3	2,307	57,673
		<u>2,307</u>	<u>57,673</u>
Current liabilities			
Trade payables	2.4	7,948	7,059
Other current liabilities	2.5	15,178	19,524
Short term provisions	2.6	1,661	1,724
		<u>24,787</u>	<u>28,307</u>
	TOTAL	<u>36,603</u>	<u>127,000</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	2,330	3,067
Intangible assets	2.7	10,181	14,376
Capital work-in-progress		29	-
Long term loans and advances	2.8	1	2
		<u>12,541</u>	<u>17,445</u>
Current assets			
Inventories	2.9	7,130	8,042
Trade receivables	2.10	15,961	18,399
Cash and bank balances	2.11	225	79,514
Short term loans and advances	2.12	746	1,354
Other current assets	2.13	-	2,246
		<u>24,062</u>	<u>109,555</u>
	TOTAL	<u>36,603</u>	<u>127,000</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: 8 May 2015

for and on behalf of the Board of Directors

Dr. Clemens J. Troche

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 2015	For the year ended 31 March 2014
Income			
Sales, net		89,963	75,302
License fees		-	325
Other operating revenues		102	-
Revenue from operations		90,065	75,627
Other income	2.14	2,232	821
Total revenue		92,297	76,448
Expenses			
Purchase of stock-in-trade (traded goods)		28,922	24,045
Changes in inventories of work-in-progress and stock-in-trade	2.15	895	309
Employee benefits expense	2.16	5,449	6,359
Finance costs	2.17	333	1,767
Depreciation and amortization expense	2.7	3,192	2,593
Other expenses	2.18	82,440	7,990
Total expenses		121,231	43,063
Profit/(Loss) before tax		(28,934)	33,385
Tax expense	2.21		
Current tax		-	-
Deferred tax		-	-
Profit/(Loss) for the year		(28,934)	33,385

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

Dr. Clemens J. Troche

Director

A Ramachandra Rao

Partner

Membership No. 9750

Abhijit Mukherjee

Director

Place: Hyderabad

Date: 8 May 2015

betapharm Arzneimittel GmbH

Cash Flow Statement

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Profit before taxation	(28,934)	33,385
Adjustments:		
Depreciation and amortization expense	3,192	2,593
Allowance for sales returns	2,080	1,960
Interest income	(221)	(821)
Finance costs	333	1,767
Provision for inventory obsolescence	850	1,093
Provision for doubtful debts, net	-	16
Operating cash flows before working capital changes	(22,699)	39,994
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(1,165)	(7,208)
Inventories	(1,537)	750
Trade payables	2,551	(18,716)
Other assets and liabilities, net	(3,850)	(21,283)
Cash generated from / (used in) operations	(26,700)	(6,462)
Income taxes paid, net	-	-
Net cash from / (used in) operating activities	(26,700)	(6,462)
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(1,278)	(14,890)
Proceeds from sale of fixed assets		2
(Increase)/ decrease in deposit accounts (having original maturity of more than 3 months) and other bank balances	50,036	(46,556)
Loans and advances from holding company and other group companies	-	34,955
Interest received	345	697
Net cash from / (used in) investing activities	49,103	(25,792)
Cash flows from / (used in) financing activities		
Proceeds from / (repayment of) long term borrowings, net	(51,386)	51,791
Interest paid	(333)	(1,767)
Net cash from / (used in) financing activities	(51,719)	50,024
Net increase / (decrease) in cash and cash equivalents	(29,316)	17,770
Cash and cash equivalents at the beginning of the year	31,557	11,301
Effect of foreign exchange gain on cash and cash equivalents	(2,016)	2,486
Cash and cash equivalents at the end of the year	225	31,557
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	225	31,557
Other bank balances	-	47,957
Cash and bank balances at the end of the year	225	79,514

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: 8 May 2015

for and on behalf of the Board of Directors

Dr. Clemens J. Troche

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 accounting principles generally accepted in India (“Indian GAAP”). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

Assets acquired on finance leases and leasehold improvements are depreciated over the period of the lease agreement or the useful life 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 50
Plant and machinery	3 to 15
Furniture and fixtures and office equipment	3 to 10
Vehicles	4 to 5

Schedule II to the Companies Act, 2013 (“Schedule”) prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

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.

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)

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. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

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 (NRV). Cost of inventories comprises all cost of purchase, production or conversion costs and other costs incurred in bringing the inventories to their present location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. The cost of all categories of inventory is determined using weighted average cost method. 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.

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.

Termination benefits

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated 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.

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.

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)

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. The estimate of sales returns is determined primarily by the Company's historical experience in the markets in which the Company operates.

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 and are not discounted to its present value.

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.

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.

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)

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.

m) 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. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of amortised historical cost.

n) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, "short-term" means investments having maturity of three months or less from the date of investment.

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 2015	As at 31 March 2014
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.

2.2 : Reserves and surplus

	As at 31 March 2015	As at 31 March 2014
<i>Foreign currency translation reserve</i>		
Balance at the beginning of the year	(33,989)	(31,257)
Additions / (deductions) during the year	<u>(2,577)</u>	<u>(2,732)</u>
	<u>(36,566)</u>	<u>(33,989)</u>
<i>Securities premium reserve</i>		
Balance at the beginning of the year	73,856	73,856
Additions / (deductions) 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	555	(32,830)
Add: Current year profit / (loss)	<u>(28,934)</u>	<u>33,385</u>
Balance carried forward	<u>(28,379)</u>	<u>555</u>
	<u>8,911</u>	<u>40,422</u>

2.3 : Long term borrowings

	As at 31 March 2015	As at 31 March 2014
<i>Secured</i>		
Long term maturities of finance lease obligations	2,307	2,937
Borrowings from holding company and other group companies	<u>-</u>	<u>54,736</u>
	<u>2,307</u>	<u>57,673</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)**2.4 : Trade payables**

	As at 31 March 2015	As at 31 March 2014
Payables to holding company and other group companies	6,557	5,231
Payables to others	<u>1,391</u>	<u>1,828</u>
	<u>7,948</u>	<u>7,059</u>

2.5 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Current maturities of finance lease obligations	79	92
Due to statutory authorities	3	-
Due to holding company and other group companies	-	5,340
Accrued expenses	14,869	13,896
Others	<u>227</u>	<u>196</u>
	<u>15,178</u>	<u>19,524</u>

2.6 : Short term provisions

	As at 31 March 2015	As at 31 March 2014
Allowance for sales returns	<u>1,661</u>	<u>1,724</u>
	<u>1,661</u>	<u>1,724</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/Amortization					Net Block	
	As at 01.04.2014	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Land	1,146	-	-	(215)	931	-	-	-	-	-	931	1,146
Building (under finance lease)	3,255	24	-	(611)	2,667	1,551	152	-	(311)	1,392	1,276	1,704
Plant and machinery	659	3	-	(124)	538	642	13	-	(122)	533	5	17
Furniture and fixtures and office equipment	1,681	18	476	(382)	841	1,481	69	476	(351)	723	118	200
Vehicles	4	5	-	(1)	8	4	5	-	(1)	8	-	-
Total tangible assets (A)	6,745	50	476	(1,333)	4,986	3,678	239	476	(786)	2,655	2,330	3,067
Patents, trademarks and marketing rights	131,861	1,199	61	(24,842)	108,158	117,485	2,953	61	(22,401)	97,977	10,181	14,376
Total intangible assets (B)	131,861	1,199	61	(24,842)	108,158	117,485	2,953	61	(22,401)	97,977	10,181	14,376
Total (A+B)	138,606	1,249	536	(26,175)	113,143	121,163	3,192	536	(23,187)	100,632	12,511	17,443
Previous year	103,807	14,969	7	19,837	138,606	99,569	2,593	5	19,006	121,163	17,443	

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 2015	As at 31 March 2014
<i>Considered good</i>		
Security deposits	1	2
	<u>1</u>	<u>2</u>

2.9 : Inventories

(Valued on weighted average basis)

	As at 31 March 2015	As at 31 March 2014
Raw materials	2	18
Work-in-progress	34	69
Stock-in-trade	7,094	7,954
Packing materials	-	1
	<u>7,130</u>	<u>8,042</u>

2.10 : Trade receivables

Unsecured	As at 31 March 2015	As at 31 March 2014
Debts outstanding for a period exceeding six months		
Considered doubtful	53	62
Other debts		
Considered good	15,961	18,399
	<u>16,014</u>	<u>18,461</u>
Less: Provision for doubtful debts	(53)	(62)
	<u>15,961</u>	<u>18,399</u>

2.11 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Cash on hand	1	2
Bank balances		
In current accounts	224	31,555
Cash and cash equivalents (A)	<u>225</u>	<u>31,557</u>
In term deposit accounts (original maturity more than 3 months but less than 12 months)	-	47,957
Other bank balances (B)	<u>-</u>	<u>47,957</u>
Total cash and bank balances (A+B)	<u>225</u>	<u>79,514</u>

2.12 : Short term loans and advances

Unsecured	As at 31 March 2015	As at 31 March 2014
<i>Considered good</i>		
Advances to material suppliers	51	40
Prepaid expenses	61	41
Other advances	634	1,273
	<u>746</u>	<u>1,354</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 2015	As at 31 March 2014
<i>Considered good</i>		
Other receivables from holding company and other group companies	-	2,122
Interest accrued but not due on term deposits	-	124
	<u>-</u>	<u>2,246</u>

2.14 : Other income

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest income	221	821
Foreign exchange gain, net	2,011	-
	<u>2,232</u>	<u>821</u>

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
<i>Opening</i>		
Work-in-progress	69	131
Stock-in-trade	7,954	8,201
	<u>8,023</u>	<u>8,332</u>
<i>Closing</i>		
Work-in-progress	34	69
Stock-in-trade	7,094	7,954
	<u>7,128</u>	<u>8,023</u>
<i>Net decrease</i>	<u>895</u>	<u>309</u>

2.16 : Employee benefits expense

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	5,061	5,897
Contribution to provident and other funds	344	360
Staff welfare expenses	44	102
	<u>5,449</u>	<u>6,359</u>

2.17 : Finance costs

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest expenses	333	1,767
	<u>333</u>	<u>1,767</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 2015	For the year ended 31 March 2014
Legal and professional	262	360
Carriage outward	582	710
Conversion charges	214	227
Rates and taxes	1,433	1,153
Other selling expenses	1,913	2,190
Travelling and conveyance	83	55
Communication	52	36
Rent	5	3
Insurance	82	159
Foreign exchange loss, net	-	560
Provision for doubtful debts and advances	-	16
Loss on sale of fixed assets, net	-	2
Profit share to holding company	75,824	-
Other general expenses	1,990	2,519
	<u>82,440</u>	<u>7,990</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 2015 (previous year: Nil).

2.20: Related party disclosures

a. The Company has following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	13,610	11,361
Dr. Reddy's Laboratories (UK) Limited	576	200
ii. Purchases of assets from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	647	7,850
iii. Guarantee commission paid / payable to holding company and group companies:		
Dr. Reddy's Laboratories Limited	-	108
Dr. Reddy's Laboratories SA	-	20
iv. Sales to other companies within the group:		
Dr. Reddy's Laboratories Inc.	50,236	31,973
v. Reimbursement of operating and other expenses by holding company and other group companies:		
Dr. Reddy's Laboratories Limited	35	87
Reddy Holding GmbH	138	-
beta Institut gemeinnützige GmbH	11	-
vi. Reimbursement of operating and other expenses to holding company and other group companies:		
Reddy Holding GmbH	1,376	-
beta Institut gemeinnützige GmbH	210	-
vii. Interest paid / payable to holding company and other group companies:		
Reddy Holding GmbH	-	1,626
viii. Profit share to holding company and other group companies:		
Reddy Holding GmbH	75,824	-

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

Particulars	As at 31 March 2015	As at 31 March 2014
i. Due from related parties (included in Trade Receivables and other current assets):		
Dr. Reddy's Laboratories Inc.	8,348	13,157
Dr. Reddy's Laboratories Limited	75	2,122
ii. Due to related parties (included in Trade payables and other current liabilities):		
Dr. Reddy's Laboratories Limited	6,434	10,462
Dr. Reddy's Laboratories (UK) Limited	123	109
iii. Due to related parties (included in Long term borrowings):		
Reddy Holding GmbH	-	54,736

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

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)

2.22: The company has taken buildings under finance lease. Future minimum lease payments under finance leases as at 31 March 2015 are as follows:

Particulars	Present value of minimum lease payments	Future interest	Minimum lease payments
Not later than 1 year	79	1	80
Later than 1 year and not later than 5 years	373	2	375
Beyond 5 years	1,934	10	1,944
Total	2,386	13	2,399

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

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

Dr. Clemens J. Troche

Director

A Ramachandra Rao

Partner

Membership No. 9750

Abhijit Mukherjee

Director

Place: Hyderabad

Date: 8 May 2015

Cheminor Investments Limited
Board's Report

Dear Members,

Your Directors present the 25th Board's Report of the Company for the year ended 31 March 2015.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2014-15 as compared to previous financial year:

(Rs. in thousands)

Particulars	31 March 2015	31 March 2014
Profit/(Loss) for the period after taxation	(11)	(11)
Balance brought forward	(166)	(155)
Balance carried forward to Balance Sheet	(177)	(166)

State of Company's Affairs

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 2015.

Share Capital

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

Fixed Deposits

The Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013.

Material Changes and Commitments Affecting the Financial Position of the Company

There were no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of this report.

Particulars of Loans, Guarantees or Investments

The Company has not given any loans or guarantees nor made any investments during the year.

Number of Board meetings

The Company's Board met six times during the year: 9 May 2014, 29 July 2014, 25 September 2014, 27 October 2014, 8 December 2014 and 27 January 2015.

Board of Directors

Pursuant to provisions of Section 152 of the Companies Act, 2013, Mr. Saumen Chakraborty (DIN: 06471520), retires by rotation at the ensuing Annual General Meeting and being eligible, seeks re-appointment. Your Directors recommend his re-appointment for approval at the ensuing Annual General Meeting.

During the year under review Mr. Satish Reddy (DIN: 00129701) and Dr. R Ananthanarayanan (DIN: 02231540) resigned from the Board of Directors and ceased to be Directors of the Company with effect from 25 September 2014 and 8 December 2014 respectively. The Board accorded its deep appreciation for the services rendered by them during their term.

Pursuant to the provisions of Section 152 and 161 of the Companies Act, 2013, the Board appointed Mr. Venkatanarasimham Mannam (DIN: 02677423) and Dr. Chandrasekhar Sripada (DIN: 02813923) as Additional Directors on 25 September 2014 and 8 December 2014 respectively. They shall hold office till the conclusion of the ensuing Annual General Meeting of the Company. Requisite notice under Section 160 of the Companies Act, 2013 has been received from members proposing their appointment.

The Board recommends the appointment of Mr. Venkatanarasimham Mannam and Dr. Chandrasekhar Sripada as Directors, to the members for their approval at the ensuing Annual General Meeting.

The brief profiles of Mr. Venkatanarasimham Mannam and Dr. Chandrasekhar Sripada are given in the Statement pursuant to Section 102(1) of the Companies Act, 2013 annexed to the Notice of the Annual General Meeting for reference of the shareholders.

Risk Management and Adequacy of Internal Financial Controls with Reference to Financial Statements

Your Company is guided by the holding company, Dr. Reddy's Laboratories Limited's (DRL) policies. Accordingly, the philosophies, policies or procedures relating to internal controls over Financial Accounting, Risk Management and Compliance of DRL are applicable to your Company as well. Identified key risks and internal control matters pertaining to your Company, if any, are reviewed by the DRL's Internal Audit and Risk Management teams, discussed with management and suitably updated to DRL's Board.

Directors' Responsibility Statement

In terms of Section 134(5) of the Companies Act, 2013, your Directors state that:

1. applicable accounting standards have been followed in the preparation of the annual accounts;
2. accounting policies have been selected and applied consistently. Reasonable and prudent judgments and estimates were made, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2014-15 and of the loss of the Company for that period;
3. proper and sufficient care has been taken to maintain 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. annual accounts have been prepared on a going concern basis; and
5. proper systems have been devised to ensure compliance with the provisions of all applicable laws and these systems were adequate and operating effectively.

Related Party Transactions

The Company does not have any transactions with related parties, except with its holding company Dr. Reddy's Laboratories Limited. Hence the relevant provisions are not applicable to your Company.

Statutory Auditors

The Statutory Auditors of the Company M/s. A. Ramachandra Rao & Co., Chartered Accountants, retire at the ensuing 25th Annual General Meeting. They have confirmed their eligibility to act as Statutory Auditors under Section 141 of the Companies Act, 2013 and Rule 4 of the Companies (Audit and Auditors) Rules, 2014, 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 2015-16 for shareholder's approval.

There are no qualifications, reservations or adverse remarks made by the Statutory Auditors in their report.

Significant and Material Orders passed by the Court/Regulators

During the year under review, there were no significant and/or material orders, passed by any Court or Regulators or Tribunal which may impact the going concern status or the Company's operations in future

Particulars of Employees

None of the employees of the Company draw salary more than the amount as specified under the provisions of Section 197 (12) of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended from time to time. Hence the relevant provisions are not applicable to your Company.

Conservation of energy, Technology Absorption, Foreign exchange earnings and outgo

The particulars as prescribed under Section 134(3)(m) of the Companies Act, 2013, read with the Companies (Accounts) Rules, 2014 relating to conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Extract of the Annual Return

The details forming part of the extract of the Annual Return in Form MGT-9 are attached as 'Annexure I' to this Report.

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: May 9, 2015

Venkatanarasimham Mannam
Director

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN
As on the financial year ended on 31 March, 2015

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

Sl. No.	Particulars	Details
i)	CIN	U67120TG1990PLC010931
ii)	Registration Date	23 Jan 1990
iii)	Name of the Company	Chemnor Investments Limited
iv)	Category/Sub-Category of the Company	Public Company / Limited by Shares
v)	Address of the Registered office and contact details	7-1-27, Ameerpet, Hyderabad, Telangana-500016
vi)	Whether listed company Yes/No	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	NA

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company are given below:

Sl. no.	Name and Description of main products/services	NIC Code of the product/ service	% to total turnover of the company
NA			

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. no.	Name of the Company	Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held*	Applicable Section
1	Dr. Reddy's Laboratories Limited	8-2-337, Road no. 3, Banjara Hills, Hyderabad-500034	L85195TG1984PLC004507	Holding	100	2(46)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A. PROMOTERS									
(1) Indian									
a) Individual/HUF	0	0	0	0	0	0	0	0	0
b) Central Govt.	0	0	0	0	0	0	0	0	0
c) State Govt(s).	0	0	0	0	0	0	0	0	0
d) Bodies Corp.	0	134,513	134,513	100	0	134,513	134,513	100	0
e) Banks/FI	0	0	0	0	0	0	0	0	0
f) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(1)	0	134,513	134,513	100	0	134,513	134,513	100	0
(2) Foreign									
a) NRIs-Individuals	0	0	0	0	0	0	0	0	0
b) Other-Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks/FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(2)	0	0	0	0	0	0	0	0	0

Total shareholding of Promoter (A)=(A)(1)+(A)(2)	0	134,513	134,513	100	0	134,513	134,513	100	0
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual funds/UTI	0	0	0	0	0	0	0	0	0
b) Banks/FI	0	0	0	0	0	0	0	0	0
c) Central Govt.	0	0	0	0	0	0	0	0	0
d) State Govt(s).	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIIs	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
Sub-total (B)(1)	0	0	0	0	0	0	0	0	0
(2) Non-Institutions									
a) Bodies Corp	0	0	0	0	0	0	0	0	0
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0
i) Individual shareholders holding nominal share capital upto Rs.1 lakh	0	0	0	0	0	0	0	0	0
ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh	0	0	0	0	0	0	0	0	0
c) Others (specify)									
c-i) Trust	0	0	0	0	0	0	0	0	0
c-ii) Clearing Member	0	0	0	0	0	0	0	0	0
c-iii) NRIs	0	0	0	0	0	0	0	0	0
c-iv) Foreign Nationals	0	0	0	0	0	0	0	0	0
Sub-total (B)(2)	0	0	0	0	0	0	0	0	0
Total Public Shareholding (B)=(B)(1)+ (B)(2)	0	0	0	0	0	0	0	0	0
C. SHARES HELD BY CUSTODIAN FOR GDRS & ADRS	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	0	134,513	134,513(*)	100	0	134,513	134,513(*)	100	0

(*) Out of 134,513 equity shares, 6 equity shares are held by six individuals as nominee shareholders on behalf of Dr. Reddy's Laboratories Limited, Holding Company.

ii) Shareholding of Promoters

Sr. no.	Category of Shareholders	No. of shares held at the beginning of the year			No. of shares held at the end of the year			% change during the year
		No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares*	No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares*	
1	Dr. Reddy's Laboratories Limited	134,513	100	0	134,513	100	0	0
		134,513	100	0	134,513	100	0	0

iii) Change in Promoters' Shareholding

	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
At the beginning of the year	134,513	100	134,513	100
Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/ transfer/bonus/sweat equity etc):	0	0	0	0
At the End of the year	134513	100	134,513	100

iv) Shareholding pattern of top ten Shareholders (other than Directors, Promoters and holders of GDRs and ADRs)

Name	Shareholding at the beginning of the year		Shareholding at the end of the year	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
NIL				

v) Shareholding of Directors and Key Managerial personnel

Sr. no.	Name	Date	Shareholding at the beginning of the year		Increase / (Decrease) in Shareholding, if any	Reason	Cumulative Shareholding during the year	
			No. of Shares (*)	% of total shares of the company			No. of Shares	% of total shares of the company
A. DIRECTORS								
1	Mr. Saumen Chakraborty (Director)	01.04.2014	1	0	0	0	1	0
		31.03.2015	1	0	0	0	1	0
2	Dr. S Chandrasekhar (Director)***	01.04.2014	0	0	0	0	0	0
		31.03.2015	0	0	0	0	0	0
3	Mr. Venkatanarasimham Mannam (Director)**	01.04.2014	1	0	0	0	1	0
		31.03.2015	1	0	0	0	1	0
B. KEY MANAGEMENT PERSONNEL (KMPs) - Nil								

* Held as Nominee shareholders on behalf of Dr. Reddy's Laboratories Limited, Holding Company.

** Appointed on 25th September 2014

*** Appointed on 8th December 2014

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year (April 1, 2014)				
i) Principal Amount	-	7,161	-	7,161
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	7,161	-	7,161
Change in Indebtedness during the financial year				
Addition	-	-	-	-
Reduction	-	-	-	-
Net Change	-	-	-	-
Indebtedness at the end of the financial year (March 31, 2015)				
i) Principal Amount	-	7,161	-	7,161
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	7,161	-	7,161

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A) **Remuneration of Managing Director, Whole-time Director and/or Manager** - Not applicable

B) **Remuneration of other directors** No remuneration was paid to directors.

C) **Remuneration of Key Managerial Personnel other than MD/WTD/Manager** Not applicable

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES

There were no penalties/punishments/compounding of offences during the year.

Independent Auditor's Report

To
**The Members of
Cheminor Investments Limited**

Report on the Financial Statements

We have audited the accompanying financial statements of **Cheminor Investments Limited** which comprise the Balance Sheet as at 31 March 2015, and the Statement of Profit and Loss and the 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

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. 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 financial control relevant to the Company's preparation of the financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Company's Directors, 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 on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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, of the state of affairs of the Company as at 31 March 2015 and its profit/loss and its 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, 2015 ("the order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e) On the basis of written representations received from the directors as on 31 March, 2015, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2015, from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the other matters included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to our best of our information and according to the explanations given to us :
 - i. The Company does not have any pending litigations which would impact its financial position;
 - ii. The Company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses; and
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company;

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

A. Ramachandra Rao
Partner
Membership No. : 9750

Place: Hyderabad
Date: 9 May 2015

ANNEXURE TO THE AUDITORS' REPORT

Ref: Cheminor Investments Limited

(Of even date referred to in Para 1 of our Report)

- 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.
- ii. The company does not have any inventories during the year and hence, in our opinion, clauses 3(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, whether secured or unsecured, to the companies, firms or other parties covered in the Register maintained u/s Sec. 189 of the Companies Act, 2013 during the year. Hence sub clauses (a) and (b) of clause 3(iii) of the order are not applicable to the company for the year.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and also for the sale of goods and services, to the extent applicable. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v. Based on the information provided to us, the Company has not accepted any deposits during the year and hence, in our opinion, the Clause 4(v) is not applicable to the company for the year
- vi. Based on the explanations given to us, the Central Government has not prescribed any cost records and accounts, which are required to be maintained under section 148 of the Companies Act, 2013.
- vii. (a) According to the records of the company, the company is regular in depositing the undisputed statutory dues, to the extent applicable, including employees state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess with the appropriate authorities.
(b) According to the information and explanations given to us, there are no dues of VAT, income tax, customs duty, excise duty, wealth tax, service tax, cess to be deposited on account of any dispute.
Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.
(c) According to the information provided and explanations offered to us, the company is not required to transfer to Investor Education and Protection Fund any amounts in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made there under and hence this clause is not applicable to the Company.
- viii. 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 in the immediately preceding financial year.
- ix. Based on the information provided and explanation given to us, the company has not taken any loans from banks and hence the clause 3(ix) is not applicable to the company for the year.
- x. Based on the information provided and explanations offered to us, the Company has not given guarantee for loans taken by others from Banks or Financial Institutions the terms and conditions whereof are prejudicial to the interest of the company.

- xi. According to the information and explanations given to us, the company has not obtained any term loans during the year and hence clause 3(xi) of the order is not applicable to the company.
- xii. 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 2015

Cheminor Investments Limited
Balance Sheet

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

	Note	As at 31 March 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,346	1,346
Reserves and surplus	2.2	(177)	(166)
		1,169	1,180
Non current liabilities			
Long term borrowings	2.3	7	7
		7	7
Current liabilities			
Other current liabilities	2.4	46	35
		46	35
	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

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

Saumen Chakraborty

Director

A Ramachandra Rao

Partner

Membership No. 9750

Venkatanarasimham Mannam

Director

Place: Hyderabad

Date: 9 May 2015

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 2015	For the year ended 31 March 2014
Total revenue		-	-
Expenses			
Other expenses	2.7	<u>11</u>	<u>11</u>
Total expenses		<u>11</u>	<u>11</u>
Loss before tax		(11)	(11)
Tax expense		<u>-</u>	<u>-</u>
Loss for the year		<u>(11)</u>	<u>(11)</u>
Earnings per share	2.9		
Basic - Par value ₹ 10/- per share		(0.08)	(0.08)
Diluted - Par value ₹ 10/- per share		(0.08)	(0.08)
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

for and on behalf of the Board of Directors

Saumen Chakraborty

Director

A Ramachandra Rao

Partner

Membership No. 9750

Venkatanarasimham Mannam

Director

Place: Hyderabad

Date: 9 May 2015

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 2015	For the year ended 31 March 2014
Cash flow from operating activities		
Loss for the year	(11)	(11)
Operating profit before working capital changes	<u>(11)</u>	<u>(11)</u>
<i>Changes in operating assets and liabilities</i>		
Other current liabilities	11	11
Cash generated from Operations	<u>-</u>	<u>-</u>
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	13	13
Cash & bank balances at the end of the year	<u><u>13</u></u>	<u><u>13</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**

A Ramachandra Rao

Partner

Membership No.: 9750

Saumen Chakraborty

Director

Place: Hyderabad

Date: 9 May 2015

Venkatanarasimham Mannam

Director

Chemisor 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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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. Useful lives of tangible, assessment of recoverable amounts of cash generating units, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

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

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.

e) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

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 and are not discounted to its present value.

g) 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. The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. 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.

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 2015	As at 31 March 2014
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 2015		As at 31 March 2014	
	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 2015		As at 31 March 2014	
	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 2015		As at 31 March 2014	
	No. of shares	% of shares	No. of shares	% of shares
Equity Shares				
Dr. Reddy's Laboratories Limtied (including shares held by nominees)	134,513	100	134,513	100
Preference Shares				
G V Prasad	4	50	4	50
K Deepti Reddy	2	25	2	25
Saumen Chakraborty	2	25	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 2015	As at 31 March 2014
<i>Deficit</i>		
Balance at the beginning of the year	(166)	(155)
Add: Current year loss	<u>(11)</u>	<u>(11)</u>
Balance carried forward	<u><u>(177)</u></u>	<u><u>(166)</u></u>

2.3 Long term borrowings

	As at 31 March 2015	As at 31 March 2014
<i>Unsecured</i>		
Long term borrowings from holding company	<u>7</u>	<u>7</u>
	<u><u>7</u></u>	<u><u>7</u></u>

2.4 Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Other current liabilities	<u>46</u>	<u>35</u>
	<u><u>46</u></u>	<u><u>35</u></u>

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 (continued)**2.5 : Fixed assets**

Description	Gross Block			Depreciation				Net Block		
	As at 01.04.2014	Additions	Deletions	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
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 2015	As at 31 March 2014
Bank balances		
In current accounts	13	13
	<u>13</u>	<u>13</u>

2.7 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Auditors' remuneration	11	11
	<u>11</u>	<u>11</u>

2.8 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2015 (previous year: Nil).

2.9 : Earnings per share

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
Loss for the year	(11)	(11)
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)	(0.08)
Diluted Earnings/(Loss) in ₹ per share	(0.08)	(0.08)

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 2015	As at 31 March 2014
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 2015

for and on behalf of the Board of Directors

Saumen Chakraborty

Director

Venkatanarasimham Mannam

Director

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

Chienna B.V.
Balance Sheet

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

	Note	As at 31 March 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,405	1,405
Reserves and surplus	2.2	(687,286)	(657,141)
		<u>(685,881)</u>	<u>(655,736)</u>
Current liabilities			
Other current liabilities	2.3	1,056,404	1,089,597
		<u>1,056,404</u>	<u>1,089,597</u>
	TOTAL	<u><u>370,523</u></u>	<u><u>433,861</u></u>
ASSETS			
Current assets			
Cash and bank balances	2.4	1,758	47
Short term loans and advances	2.5	368,765	433,814
		<u>370,523</u>	<u>433,861</u>
	TOTAL	<u><u>370,523</u></u>	<u><u>433,861</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 B.V.
Director

Place: Hyderabad
Date: 8 May 2015

Chienna 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 2015	For the year ended 31 March 2014
Income			
Interest income		20,522	20,469
Total revenue		20,522	20,469
Expenses			
Employee benefits expense	2.6	139,471	117,794
Finance costs		54,800	47,835
Other expenses	2.7	2,744	1,575
Total expenses		197,015	167,204
Loss before tax		(176,493)	(146,735)
Tax expense	2.10	-	-
Loss for the period		(176,493)	(146,735)
Earnings per share			
Basic - Par value EUR 1 per share		(8,968.13)	(7,456.05)
Diluted - Par value EUR 1 per share		(8,968.13)	(7,456.05)
Number of shares used in computing earnings per share			
Basic		19,680	19,680
Diluted		19,680	19,680

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 B.V.
 Director

Place: Hyderabad
 Date: 8 May 2015

Chienna B.V.
Cash Flow Statement

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Loss before tax	(176,493)	(146,735)
Operating cash flows before working capital changes	(176,493)	(146,735)
<i>Changes in operating assets and liabilities</i>		
Other assets and liabilities, net	178,475	152,769
Cash generated from operations	1,983	6,034
Income taxes paid, net	-	-
Net cash from operating activities	1,983	6,034
Cash flows from / (used in) investing activities		
Net cash from / (used in) investing activities	-	-
Cash flows from / (used in) financing activities		
Repayment of borrowings, net	-	(6,009)
Net cash used in financing activities	-	(6,009)
Net increase in cash and cash equivalents	1,983	25
Cash and cash equivalents at the beginning of the year	47	18
Effect of foreign exchange gain on cash and cash equivalents	(273)	4
Cash and cash equivalents at the end of the year	1,758	47
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	1,758	47
Other bank balances	-	-
Cash and bank balances at the end of the year	1,758	47

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 B.V.
Director

Place: Hyderabad
Date: 8 May 2015

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 accounting principles generally accepted in India (“Indian GAAP”). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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 and are not discounted to its present value.

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.

q) Earnings per share

The basic earnings per share (“EPS”) is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

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 2015	As at 31 March 2014
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 2015		As at 31 March 2014	
	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 2015		As at 31 March 2014	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
OctoPlus B.V.	19,680	100	19,680	100

2.2 : Reserves and surplus

	As at 31 March 2015	As at 31 March 2014
Foreign currency translation reserve		
Balance at the beginning of the period	(83,415)	148
Movement during the period	<u>146,348</u>	<u>(83,563)</u>
	<u>62,933</u>	<u>(83,415)</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	(658,270)	(511,535)
Add: Current period loss	<u>(176,493)</u>	<u>(146,735)</u>
Balance carried forward	<u>(834,763)</u>	<u>(658,270)</u>
	<u>(687,286)</u>	<u>(657,141)</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 : Other current liabilities**

	As at 31 March 2015	As at 31 March 2014
Due to holding company and other group companies	1,045,067	1,079,141
Accrued expenses	11,333	8,382
Others	4	2,074
	<u>1,056,404</u>	<u>1,089,597</u>

2.4 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Bank balances		
In current accounts	1,758	47
	<u>1,758</u>	<u>47</u>

2.5 : Short term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Advances to holding company and other group companies	367,490	430,213
Staff loans and advances	-	4
Balances with statutory agencies	1,276	-
Prepaid expenses	-	3,597
	<u>368,765</u>	<u>433,814</u>

2.6 : Employee benefits expense

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	139,471	117,794
	<u>139,471</u>	<u>117,794</u>

2.7 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Legal and professional	-	169
Travelling and conveyance	2,724	117
Foreign exchange loss, net	-	28
Bank charges	14	165
Other general expenses	6	1,096
	<u>2,744</u>	<u>1,575</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 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2015 (previous year: Nil).

2.9 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the period 1 April 2014 to 31 March 2015	For the period 1 April 2013 to 31 March 2014
i. Interest received from holding company and other group companies:		
OctoShare B.V.	8,820	8,752
OctoPlus Technologies B.V.	11,422	11,436
OctoPlus Sciences B.V.	280	281
ii. Interest paid / payable to holding company and other group companies:		
OctoPlus Development B.V.	22,546	20,614
OctoPlus B.V.	32,254	27,221

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.	157,971	184,864
OctoPlus Technologies B.V.	204,502	239,475
OctoPlus Sciences B.V.	5,016	5,874
ii. Due to holding company and other group companies (included in other current liabilities):		
OctoPlus Development B.V.	463,551	432,910
OctoPlus B.V.	581,516	646,231

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

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 Netherlands, is a 100 % subsidiary of OctoPlus 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 B.V.
Director

Place: Hyderabad
Date: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

Chirotech Technology Limited
Balance Sheet

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

	Note	As at 31 March 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,060,004	1,060,004
Reserves and surplus	2.2	(690,525)	(906,464)
		369,479	153,540
Non current liabilities			
Deferred tax liabilities, net	2.17	6,151	7,508
Other long term liabilities	2.4	388	210
		6,539	7,718
Current liabilities			
Trade payables	2.3	111,455	309,684
Other current liabilities	2.4	233,240	287,760
		344,695	597,444
	TOTAL	720,713	758,702
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	107,760	125,008
Intangible assets	2.5	533	1,151
Capital work-in-progress		15,689	21,747
Long term loans and advances	2.6	1,247	1,619
		125,229	149,525
Current assets			
Inventories	2.7	10,036	3,393
Trade receivables	2.8	309,207	390,757
Cash and bank balances	2.9	54,574	56,449
Short term loans and advances	2.10	33,685	77,380
Other current assets	2.11	187,982	81,198
		595,484	609,177
	TOTAL	720,713	758,702

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

Subir Kohli
Director

V V Parsuram
Director

Place: Hyderabad
Date: 8 May 2015

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 2015	For the year ended 31 March 2014
Income			
Sales, net		510,108	479,339
Service income		611,428	563,482
Other operating revenues		19,704	7,767
Revenue from operations		1,141,240	1,050,588
Other income	2.12	102	-
Total revenue		1,141,342	1,050,588
Expenses			
Cost of material consumed (including packing material consumed)		133,401	351,672
Changes in inventories of finished goods and work-in-progress	2.13	(1,659)	(1,008)
Employee benefits expense	2.14	384,570	393,974
Depreciation and amortization expense	2.5	34,324	30,278
Other expenses	2.15	356,303	269,674
Total expenses		906,939	1,044,590
Profit before tax		234,403	5,998
Tax expense			
Current tax		-	108,747
Deferred tax expense / (benefit)		(1,038)	4,127
Profit/ (Loss) for the year		235,441	(106,876)
Earnings per share			
Basic - Par value GBP 0.10 per share		2.18	(1.83)
Diluted - Par value GBP 0.10 per share		2.18	(1.83)
Number of shares used in computing earnings per share			
Basic		107,780,577	58,465,509
Diluted		107,780,577	58,465,509

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**Subir Kohli**
DirectorPlace: Hyderabad
Date: 8 May 2015**V V Parsuram**
Director

Chirotech Technology Limited

Cash Flow Statement

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Profit before taxation	234,403	5,998
Adjustments:		
Depreciation and amortization expense	34,324	30,278
(Profit) / Loss on sale of fixed assets, net	(102)	-
Provision for inventory obsolescence	(3,562)	(658)
Operating cash flows before working capital changes	265,063	35,618
<i>Changes in operating assets and liabilities</i>		
Trade receivables	56,460	(12,078)
Inventories	(3,782)	9,828
Trade payables	(187,127)	(725,441)
Other assets and liabilities, net	(111,746)	(174,222)
Cash generated / (used in) from operations	18,867	(866,295)
Income taxes paid, net	-	(38,022)
Net cash from / (used in) operating activities	18,867	(904,317)
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(16,568)	(70,098)
Proceeds from sale of tangible and intangible assets	102	-
Net cash used in investing activities	(16,466)	(70,098)
Cash flows from / (used in) financing activities		
Proceeds from issuance of share capital	-	993,270
Repayment of long term borrowings, net	-	(19)
Net cash from financing activities	-	993,251
Net increase in cash and cash equivalents	2,401	18,836
Cash and cash equivalents at the beginning of the year	56,449	30,432
Effect of foreign exchange gain on cash and cash equivalents	(4,276)	7,181
Cash and cash equivalents at the end of the year	54,574	56,449
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	54,574	56,449
Other bank balances	-	-
Cash and bank balances at the end of the year	54,574	56,449

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: 8 May 2015

for and on behalf of the Board of Directors

Subir Kohli

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 accounting principles generally accepted in India (“Indian GAAP”). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

Assets acquired on finance leases and leasehold improvements are depreciated over the period of the lease agreement or the useful life 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
Laboratory equipment	5 to 15
Furniture and fixtures and office equipment	3 to 10

Schedule II to the Companies Act, 2013 (“Schedule”) prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

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.

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.

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. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

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 (NRV). Cost of inventories comprises all cost of purchase, production or conversion costs and other costs incurred in bringing the inventories to their present location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. The cost of all categories of inventory is determined using weighted average cost method. 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.

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.

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. The estimate of sales returns is determined primarily by the Company's historical experience in the markets in which the Company operates.

Service Income

Revenue from services rendered is recognized in the statement of profit and loss as the underlying services are 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 and are not discounted to its present value.

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*

At the inception of the lease, a lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the 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.

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)

l) 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. The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. 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.

m) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

n) 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:

- 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.

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

2.1 : Share capital

	As at 31 March 2015	As at 31 March 2014
Authorised		
608,298,978 (previous year : 608,298,978) shares of 0.10 GBP each	<u>5,033,405</u>	<u>5,033,405</u>
Issued		
107,780,577 (previous year : 107,780,577) shares of 0.10 GBP each	<u>1,060,004</u>	<u>1,060,004</u>
Subscribed and paid-up		
107,780,577 (previous year : 107,780,577) shares of 0.10 GBP each	<u>1,060,004</u>	<u>1,060,004</u>
	<u>1,060,004</u>	<u>1,060,004</u>

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

Particulars	As at 31 March 2015		As at 31 March 2014	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	107,780,577	1,060,004	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	107,780,577	1,060,004

(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 2015		As at 31 March 2014	
	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	107,780,577	100

2.2 : Reserves and surplus

	As at 31 March 2015	As at 31 March 2014
Foreign currency translation reserve		
Balance at the beginning of the year	(200,479)	(53,445)
Movement during the year	<u>(19,502)</u>	<u>(147,034)</u>
	<u>(219,981)</u>	<u>(200,479)</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	(1,446,424)	(1,339,548)
Add: Current year profit / (loss)	235,441	(106,876)
Balance carried forward	<u>(1,210,983)</u>	<u>(1,446,424)</u>
	<u>(690,525)</u>	<u>(906,464)</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 : Trade payables**

	As at 31 March 2015	As at 31 March 2014
Payables to holding company and other group companies	92,450	309,239
Payables to others	19,005	445
	<u>111,455</u>	<u>309,684</u>

2.4 : Other liabilities**a) Other long term liabilities**

	As at 31 March 2015	As at 31 March 2014
Deferred revenue - non current	388	210
	<u>388</u>	<u>210</u>

b) Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Accrued expenses	32,529	56,679
Due to capital creditors	7,831	5,589
Due to holding company and other group companies	-	739
Due to statutory authorities	14,896	78,187
Salary and bonus payable	52,370	49,298
Others	125,614	97,268
	<u>233,240</u>	<u>287,760</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)

2.5 : Fixed assets

Description	Gross Block					Depreciation / Amortization					Net Block	
	As at 01.04.2014	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Lease hold improvements	18,293	-	-	(1,338)	16,956	13,148	4,015	-	(1,288)	15,875	1,081	5,145
Plant and machinery	75,674	16,332	-	(4,603)	87,402	46,496	7,367	-	(3,902)	49,961	37,441	29,178
Laboratory equipment	103,141	8,226	-	(9,659)	101,708	22,599	15,017	-	(2,676)	34,940	66,768	80,542
Furniture and fixtures and office equipment	42,649	46	1,626	(3,931)	37,138	32,505	7,357	1,626	(3,570)	34,666	2,471	10,143
Total tangible assets (A)	239,757	24,604	1,626	(19,531)	243,204	114,749	33,756	1,626	(11,435)	135,443	107,760	125,008
Patents and trademarks	4,081	-	-	(832)	3,248	2,930	568	-	(782)	2,716	533	1,151
Total intangible assets (B)	4,081	-	-	(832)	3,248	2,930	568	-	(782)	2,716	533	1,151
Total (A+B)	243,838	24,604	1,626	(20,363)	246,452	117,679	34,324	1,626	(12,218)	138,159	108,293	126,159
Previous year	156,990	50,193	-	36,655	243,838	69,777	30,278	-	17,623	117,679	126,159	

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 : Long term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Capital advances for purchase of fixed assets	618	354
Security deposits	629	1,265
	<u>1,247</u>	<u>1,619</u>

2.7 : Inventories

(Valued on weighted average basis)

	As at 31 March 2015	As at 31 March 2014
Raw materials	6,279	2,344
Work-in-progress	-	1,049
Finished goods	3,757	-
	<u>10,036</u>	<u>3,393</u>

2.8 : Trade receivables

	As at 31 March 2015	As at 31 March 2014
Unsecured		
Debts outstanding for a period exceeding six months		
Considered good	17,912	4,323
Other debts		
Considered good	291,295	386,434
	<u>309,207</u>	<u>390,757</u>

2.9 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Cash on hand	11	54
Bank balances		
In current accounts	54,563	56,395
	<u>54,574</u>	<u>56,449</u>

2.10 : Short term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Advances to material suppliers	3,525	5,732
Staff loans and advances	116	213
Balances with statutory agencies	10,311	65,153
Prepaid expenses	17,602	6,282
Other advances	2,131	-
	<u>33,685</u>	<u>77,380</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)

2.11 : Other current assets

	As at 31 March 2015	As at 31 March 2014
<i>Considered good</i>		
Other receivables from holding company and other group companies	187,982	81,198
	187,982	81,198

2.12 : Other income

	For the year 31 March 2015	For the year 31 March 2014
Profit on sale of fixed assets, net	102	-
	102	-

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
<i>Opening</i>		
Work-in-process	1,049	41
<i>Closing</i>		
Work-in-process	-	1,049
<i>Net (increase)</i>	(1,659)	(1,008)

2.14 : Employee benefits expense

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	380,936	379,947
Staff welfare expenses	3,634	14,027
	384,570	393,974

2.15 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Consumption of stores and spare parts and other materials	62,391	53,030
Conversion charges	39,654	8,960
Other research and development expenses	178,224	124,287
Legal and professional	4,357	11,312
Carriage outward	672	1,952
Rates and taxes	3,924	8,184
Selling expenses	24,977	7,133
Repairs and maintenance	5,871	15,578
Power and fuel	2,485	6,031
Travelling and conveyance	8,449	11,008
Communication	5,416	5,634
Rent	8,642	8,066
Insurance	2,526	1,647
Foreign exchange loss, net	4,974	4,517
Other general expenses	3,741	2,334
	356,303	269,674

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 2015 (previous year: Nil).

2.17: Deferred taxation

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

Particulars	As at 31 March 2015	As at 31 March 2014
Deferred tax assets / (liabilities)		
Current assets	-	14,387
Fixed assets	(6,151)	(21,895)
Deferred tax liabilities, net	(6,151)	(7,508)

2.18: Related party disclosures

a. The Company has following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i. Sales and services to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	570,799	467,187
Dr. Reddy's Laboratories SA	41,833	19,426
Dr. Reddy's Laboratories (EU) Limited	9,886	64,053
Dr. Reddy's Laboratories Inc.	1,936	233
ii. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories (EU) Limited	137,693	270,110
Dr. Reddy's Laboratories Limited	6,196	40,176
iii. Reimbursement of operating and other expense by holding company and other group companies:		
Dr. Reddy's Laboratories (EU) Limited	-	4,324

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

Particulars	As at 31 March 2015	As at 31 March 2014
i. Due from holding company and other group companies (included in trade receivables and other current assets):		
Dr. Reddy's Laboratories Limited	282,229	224,100
Dr. Reddy's Laboratories (EU) Limited	60,847	139,913
Dr. Reddy's Laboratories Inc.	1,912	-
Dr. Reddy's Laboratories SA	41,324	-
ii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	82,065	91,303
Dr. Reddy's Laboratories (EU) Limited	10,385	217,936
iii. Due to holding company and other group companies (included in borrowings and other current liabilities):		
Dr. Reddy's Laboratories Limited	-	560
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

Subir Kohli

Director

A Ramachandra Rao

Partner

Membership No. 9750

V V Parsuram

Director

Place: Hyderabad

Date: 8 May 2015

Dr. Reddy's Bio-Sciences Limited
Board's Report

Dear Members,

Your Directors present the 15th Board's Report of the Company for the year ended 31 March 2015.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2014-15 as compared to previous financial year:

(Rs. in thousands)

Particulars	31 March 2015	31 March 2014
Profit/(Loss) for the period after taxation	879	(1,515)
Balance brought forward	(156,576)	(155,061)
Balance carried forward to Balance Sheet	(155,697)	(156,576)

State of Company's Affairs

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 2015.

Share Capital

The Company has offered its equity shares on rights basis to existing shareholders, pursuant to provisions of Section 81(1) of the erstwhile Companies Act, 1956. The Company has allotted 20,000,000 shares at the face value of Rs. 10/- each to its holding company, Dr. Reddy's Laboratories Limited (DRL) pursuant to this rights issue on May 28, 2014. The paid up capital of the Company presently is Rs. 540,220,700/- divided into 54,022,070 equity shares of Rs. 10/- each.

Fixed Deposits

The Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013.

Material Changes and Commitments Affecting the Financial Position of the Company

There were no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of this report.

Particulars of Loans, Guarantees or Investments

The Company has not given any loans or guarantees nor made any investments during the year.

Number of Board meetings

The Company's Board met six times during the year: 9 May 2014, 29 July 2014, 25 September 2014, 27 October 2014, 27 January 2015 and 20 March 2015.

Board of Directors and Key Managerial Personnel (KMP)

Pursuant to provisions of Section 152 of the Companies Act, 2013, Mr. Saumen Chakraborty (DIN: 06471520), retires by rotation at the ensuing Annual General Meeting and being eligible, seeks re-appointment. Your Directors recommend his re-appointment for approval at the ensuing Annual General Meeting.

Mr. Andrew Anthony David Shantha Kumar (DIN: 03035371) resigned from the Board of Directors and ceased to be a Director of the Company with effect from March 20, 2015. The Board accorded its deep appreciation for the services rendered by him during his term.

Pursuant to provisions of Section 149, 152 and 161 read with Schedule IV of the Companies Act, 2013, the Board of Directors appointed Mr. Raghu Cidambi (DIN: 00030865) and Mr. Garimella Venkata Rathnam (DIN: 02425882) as Additional Directors on 20 March 2015, categorized as Independent Directors. They shall hold office for a term of five consecutive years and not be liable to retire by rotation.

Mr. Raghu Cidambi and Mr. Garimella Venkata Rathnam have confirmed that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013.

The Board recommends the appointment of Mr. Raghu Cidambi and Mr. Garimella Venkata Rathnam as Independent Directors, to hold office for a term of five consecutive years, for approval of the members at the ensuing Annual General Meeting. The requisite notice under Section 160 of the Companies Act, 2013 has been received from a member proposing their appointment.

The brief profiles of Mr. Raghu Cidambi and Mr. Garimella Venkata Rathnam are given in the Statement pursuant to Section 102(1) of the Companies Act, 2013 annexed to the Notice of the Annual General Meeting for reference of the shareholders.

During the year, the following officials were confirmed as Key Managerial Personnel (KMP) of the Company, in terms of Section 203(1) of the Companies Act, 2013:

- a) Mr. V Viswanath, Chief Executive Officer,
- b) Mr. Venkatanarasimham Mannam, Chief Financial Officer,
- c) Ms. Sudipta V, Company Secretary.

Appointment of Directors and Remuneration Policy

The Board shortlists individual candidates for appointment as directors on the basis of their qualifications, positive attributes, personal and professional standing. Thereafter, the Board collectively decides to appoint one of the shortlisted candidates out of the prospective candidates. The potential Independent Directors are also assessed on the basis of criteria of independence defined in Section 149(6) of the Companies Act, 2013.

Board Evaluation

An evaluation of the performance of the Board, its Committees and individual directors was undertaken during the year.

Audit Committee

Your Company constituted Audit Committee in compliance with the provisions of Section 177 of the Companies Act, 2013 during the year. Presently, the Committee comprises of Mr. Saumen Chakraborty as Chairman of the Committee, Mr. Garimella Venkata Rathnam (Independent Director) and Mr. Raghu Cidambi (Independent Director).

Nomination & Remuneration Committee

Your Company constituted Nomination and Remuneration Committee in compliance with the provisions of Section 178 of the Companies Act, 2013, during the year. Presently, the Committee comprises of Mr. Raghu Cidambi (Independent Director) as Chairman, Mr. Garimella Venkata Rathnam (Independent Director) and Mr. Saumen Chakraborty.

Risk Management and Adequacy of Internal Financial Controls with Reference to Financial Statements

Your Company is guided by the holding company, Dr. Reddy's Laboratories Limited's (DRL) policies. Accordingly, the philosophies, policies or procedures relating to internal controls over Financial Accounting, Risk Management and Compliance of DRL are applicable to your Company as well. Identified key risks and internal control matters pertaining to your Company, if any, are reviewed by the DRL's Internal Audit and Risk Management teams, discussed with management and suitably updated to DRL's Board.

Directors' Responsibility Statement

In terms of Section 134(5) of the Companies Act, 2013, your Directors state that:

1. applicable accounting standards have been followed in the preparation of the annual accounts;
2. accounting policies have been selected and applied consistently. Reasonable and prudent judgments and estimates were made, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2014-15 and of the profit of the Company for that period;
3. proper and sufficient care has been taken to maintain 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. annual accounts have been prepared on a going concern basis; and
5. proper systems have been devised to ensure compliance with the provisions of all applicable laws and these systems were adequate and operating effectively.

Related Party Transactions

The Company does not have any transactions with related parties, except with its holding company Dr. Reddy's Laboratories Limited. Hence the relevant provisions are not applicable to your Company.

Secretarial Audit Report

Pursuant to Section 204 of the Companies Act, 2013 and the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, Mr. G Raghu Babu, Partner, M/s. R & A Associates, Company Secretary in Practice, Hyderabad, was appointed to conduct the Secretarial Audit of the Company for FY2015. This Secretarial Audit Report is attached as Annexure I to this Report.

Statutory Auditors

The shareholders at their 14th Annual General Meeting held on July 28, 2014, approved the re-appointment of M/s. A. Ramachandra Rao & Co., Chartered Accountants, as Statutory Auditors of your Company, to hold office from the conclusion of the 14th Annual General meeting upto the conclusion of 17th Annual General Meeting, subject to ratification by the shareholders at every subsequent AGM, in terms of Section 139 of the Companies Act, 2013 and the rules made thereunder.

The Statutory Auditors have confirmed their eligibility under Section 141 of the Companies Act, 2013 and Rule 4 of the Companies (Audit and Auditors) Rules, 2014.

The Audit Committee and the Board of Directors recommend the continuation of M/s. B S R & Co. LLP, Chartered Accountants, as Statutory Auditors of the Company from the conclusion of the ensuing 15th AGM till the conclusion of 16th AGM, for ratification by the shareholders.

There are no qualifications, reservations or adverse remarks made by the Statutory Auditors in their report or by the Company Secretary in Practice in the Secretarial Audit Report.

Significant and Material Orders passed by the Court/Regulators

During the year under review, there were no significant and/or material orders, passed by any Court or Regulators or Tribunal which may impact the going concern status or the Company's operations in future

Particulars of Employees

None of the employees of the Company draw salary more than the amount as specified under the provisions of Section 197(12) of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended from time to time. Hence the relevant provisions are not applicable to your Company.

Conservation of energy, Technology Absorption, Foreign exchange earnings and outgo

The particulars as prescribed under Section 134(3)(m) of the Companies Act, 2013, read with the Companies (Accounts) Rules, 2014 relating to conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Extract of the Annual Return

The details forming part of the extract of the Annual Return in Form MGT-9 are attached as 'Annexure II' to this Report.

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

K Satish Reddy
Director

Place: Hyderabad
Date: May 9, 2015

Saumen Chakraborty
Director

**FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN**

As on the financial year ended on 31 March, 2015

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

Sl. No.	Particulars	Details
i)	CIN	U72200TG2000PLC034765
ii)	Registration Date	27 June 2000
iii)	Name of the Company	Dr. Reddy's Bio-Sciences Limited
iv)	Category/Sub-Category of the Company	Public Company / Limited by Shares
v)	Address of the Registered office and contact details	7-1-27, Ameerpet, Hyderabad, Telangana-500016
vi)	Whether listed company Yes/No	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	NA

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company are given below:

Sl. no.	Name and Description of main products/services	NIC Code of the product/service	% to total turnover of the company
			NA

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. no.	Name of the Company	Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held*	Applicable Section
1	Dr. Reddy's Laboratories Limited	8-2-337, Road no. 3, Banjara Hills, Hyderabad-500034	L85195TG1 984PLC0045 07	Holding	100	2(46)

* Represents aggregate % of shares held by the Company.

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A. PROMOTERS									
(1) Indian									
a) Individual/HUF	0	0	0	0	0	0	0	0	0
b) Central Govt.	0	0	0	0	0	0	0	0	0
c) State Govt(s).	0	0	0	0	0	0	0	0	0
d) Bodies Corp.	0	34,022,070	34,022,070	100	0	54,022,070	54,022,070	100	0
e) Banks/FI	0	0	0	0	0	0	0	0	0
f) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(1)	0	34,022,070	34,022,070	100	0	54,022,070	54,022,070	100	0
(2) Foreign									
a) NRIs-Individuals	0	0	0	0	0	0	0	0	0
b) Other-Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks/FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(2)	0	0	0	0	0	0	0	0	0
Total shareholding of Promoter (A)=(A)(1)+(A)(2)	0	34,022,070	34,022,070	100	0	54,022,070	54,022,070	100	0

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual funds/UTI	0	0	0	0	0	0	0	0	0
b) Banks/FI	0	0	0	0	0	0	0	0	0
c) Central Govt.	0	0	0	0	0	0	0	0	0
d) State Govt(s).	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FII's	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
Sub-total (B)(1)	0	0	0	0	0	0	0	0	0
(2) Non-Institutions									
a) Bodies Corp	0	0	0	0	0	0	0	0	0
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0
i) Individual shareholders holding nominal share capital upto Rs.1 lakh	0	0	0	0	0	0	0	0	0
ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh	0	0	0	0	0	0	0	0	0
c) Others (specify)									
c-i) Trust	0	0	0	0	0	0	0	0	0
c-ii) Clearing Member	0	0	0	0	0	0	0	0	0
c-iii) NRIs	0	0	0	0	0	0	0	0	0
c-iv) Foreign Nationals	0	0	0	0	0	0	0	0	0
Sub-total (B)(2)	0	0	0	0	0	0	0	0	0
Total Public Shareholding	0	0	0	0	0	0	0	0	0
(B)=(B)(1)+ (B)(2)	0	0	0	0	0	0	0	0	0
C. SHARES HELD BY CUSTODIAN FOR GDRS & ADRS	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	0	34,022,070	34,022,070 (*)	100	0	54,022,070	54,022,070 (*)	100	0

(*) Out of 54,022,070 equity shares, 60 equity shares are held by six individuals as nominee shareholders on behalf of Dr. Reddy's Laboratories Limited, Holding Company.

ii) Shareholding of Promoters

Sr. no.	Category of Shareholders	No. of shares held at the beginning of the year			No. of shares held at the end of the year			% change during the year
		No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares*	No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares*	
1	Dr. Reddy's Laboratories Limited	34,022,070	100	0	54,022,070	100	0	0
		34,022,070	100	0	54,022,070	100	0	0

iii) Change in Promoters' Shareholding

	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
At the beginning of the year	34,022,070	100	54,022,070	100
Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/ transfer/bonus/sweat equity etc): Allotment to Dr. Reddy's Laboratories Limited, pursuant to Rights issue on May 28, 2014	20,000,000	58.79	0	0
At the End of the year	54,022,070	100	54,022,070	100

iv) Shareholding pattern of top ten Shareholders (other than Directors, Promoters and holders of GDRs and ADRs)

Name	Shareholding at the beginning of the year		Shareholding at the end of the year	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
NIL				

v) Shareholding of Directors and Key Managerial personnel

Sr. no.	Name	Date	Shareholding at the beginning of the year		Increase / (Decrease) in Shareholding, if any	Reason	Cumulative Shareholding during the year	
			No. of Shares (*)	% of total shares of the company			No. of Shares	% of total shares of the company
A. DIRECTORS								
1	Mr. Satish Reddy (Director)	01.04.2014	10	0	0	0	10	0
		31.03.2015	10	0	0	0	10	0
2	Mr. Saumen Chakraborty (Director)	01.04.2014	10	0	0	0	10	0
		31.03.2015	10	0	0	0	10	0
3	Mr. Raghu Cidambi (Independent Director)**	01.04.2014	0	0	0	0	0	0
		31.03.2015	0	0	0	0	0	0
4	Mr. Garimella Venkata Rathnam (Independent Director)**	01.04.2014	0	0	0	0	0	0
		31.03.2015	0	0	0	0	0	0
B. KEY MANAGEMENT PERSONNEL (KMPs)								
5	Mr. Venkatanarasimham Mannam (Chief Financial Officer)**	01.04.2014	0	0	0	0	0	0
		31.03.2015	10	0	0	0	10	0
6	Mr. V Viswanath (Chief Executive Officer)**	01.04.2014	0	0	0	0	0	0
		31.03.2015	0	0	0	0	0	0
7	Ms. Sudipta V (Company Secretary)	01.04.2014	0	0	0	0	0	0
		31.03.2015	0	0	0	0	0	0

* Held as Nominee shareholders on behalf of Dr. Reddy's Laboratories Limited, Holding Company.

** Appointed on 20th March 2015.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year (April 1, 2014)				
i) Principal Amount	-	485,250	-	485,250
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	485,250	-	485,250
Change in Indebtedness during the financial year				
Addition	-	-	-	-
Reduction	-	-	-	-
Net Change	-	-	-	-
Indebtedness at the end of the financial year (March 31, 2015)				
i) Principal Amount	-	485,250	-	485,250
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	485,250	-	485,250

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A) Remuneration of Managing Director, Whole-time Director and/or Manager - Not applicable

B) Remuneration of other directors No remuneration was paid to directors.

C) Remuneration of Key Managerial Personnel other than MD/WTD/Manager -

Sr. no.	Particulars of Remuneration	Key Managerial Personnel (*)			Total Amount
		CEO	CFO	Company Secretary	
		Mr. V Viswanath*	Mr. Venkatanarasimham Mannam*	Sudipta V **	
1	Gross Salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	-	810,213	810,213
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-	-	-	-
	- as a % of profit	-	-	-	-
	- others	-	-	-	-
	Others, please specify				
5	- Company's contribution to PF	-	-	41,520	41,520
	Total	-	-	851,733	851,733

(*) Non-KMP Employees of Dr. Reddy's Laboratories Limited, Holding Company.

(**) Paid by Dr. Reddy's Laboratories Limited, Holding Company.

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES

There were no penalties/punishments/compounding of offences during the year.

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of **Dr. Reddy's Bio-Sciences Limited** which comprise the Balance Sheet as at 31 March 2015, and the Statement of Profit and Loss and the 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

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. 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 financial control relevant to the Company's preparation of the financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Company's Directors, 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 on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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, of the state of affairs of the Company as at 31 March 2015 and its profit/loss and its 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, 2015 ("the order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e) On the basis of written representations received from the directors as on 31 March, 2015, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2015, from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the other matters included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to our best of our information and according to the explanations given to us :
 - i. The Company does not have any pending litigations which would impact its financial position;
 - ii. The Company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses; and
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company;

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

A. Ramachandra Rao
Partner
Membership No. : 9750

Place: Hyderabad
Date: 9 May 2015

ANNEXURE TO THE AUDITORS' REPORT

Ref: Dr. Reddy's Bio-Sciences Limited
(Of even date referred to in Para 1 of our Report)

- 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;.
- ii. The company does not have any inventories during the year and hence, in our opinion, clauses 3(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, whether secured or unsecured, to the companies, firms or other parties covered in the Register maintained u/s Sec. 189 of the Companies Act, 2013 during the year. Hence sub clauses (a) and (b) of clause 3(iii) of the order are not applicable to the company for the year.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and also for the sale of goods and services, to the extent applicable. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v. Based on the information provided to us, the Company has not accepted any deposits during the year and hence, in our opinion, the Clause 3(v) is not applicable to the company for the year
- vi. Based on the explanations given to us, the Central Government has not prescribed any cost records and accounts, which are required to be maintained under section 148 of the Companies Act, 2013.
- vii. (a) According to the records of the company, the company is regular in depositing the undisputed statutory dues, to the extent applicable, including employees state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess with the appropriate authorities.

(b) According to the information and explanations given to us, there are no dues of VAT, income tax, customs duty, excise duty, wealth tax, service tax, cess to be deposited on account of any dispute.

Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

(c) According to the information provided and explanations offered to us, the company is not required to transfer to Investor Education and Protection Fund any amounts in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made there under and hence this clause is not applicable to the Company.
- viii. 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 and in the immediately preceding financial year.
- ix. Based on the information provided and explanation given to us, the company has not taken any loans from banks and hence the clause 3(ix) is not applicable to the company for the year.
- x. Based on the information provided and explanations offered to us, the Company has not given guarantee for loans taken by others from Banks or Financial Institutions the terms and conditions whereof are prejudicial to the interest of the company.

- xi. According to the information and explanations given to us, the company has not obtained any term loans during the year and hence clause 3(xi) of the order is not applicable to the company.
- xii. 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 2015

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 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	540,221	340,221
Reserves and surplus	2.2	<u>(155,697)</u>	<u>(156,576)</u>
		<u>384,524</u>	<u>183,645</u>
 Non current liabilities			
Long term borrowings	2.3	<u>485</u>	<u>485</u>
		<u>485</u>	<u>485</u>
 Current liabilities			
Other current liabilities	2.4	<u>82,878</u>	<u>83,866</u>
		<u>82,878</u>	<u>83,866</u>
	TOTAL	<u><u>467,887</u></u>	<u><u>267,996</u></u>
 ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	273,504	267,691
Long term loans and advances	2.6	<u>184,179</u>	<u>-</u>
		<u>457,683</u>	<u>267,691</u>
 Current assets			
Cash and bank balances	2.7	<u>10,204</u>	<u>305</u>
		<u>10,204</u>	<u>305</u>
	TOTAL	<u><u>467,887</u></u>	<u><u>267,996</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**

K Satish Reddy
Director

Saumen Chakraborty
Director

A Ramachandra Rao
Partner
Membership No. 9750

Venkatanarasimham Mannam
Chief Financial Officer

Sudipta V
Company Secretary

Place: Hyderabad
Date: 9 May 2015

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 2015	For the year ended 31 March 2014
Income			
Other income	2.8	1,790	-
Total revenue		1,790	-
Expenses			
Other expenses	2.9	911	1,515
Total expenses		911	1,515
Profit/(Loss) before tax		879	(1,515)
Tax expense		-	-
Profit/(Loss) for the year		879	(1,515)
Earnings per share	2.11		
Basic - Par value ₹ 10/- per share		0.02	(0.04)
Diluted - Par value ₹ 10/- per share		0.02	(0.04)
Number of shares used in computing earnings per share			
Basic		54,022,070	34,022,070
Diluted		54,022,070	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

for and on behalf of the Board of Directors

A Ramachandra Rao

Partner

Membership No. 9750

K Satish Reddy

Director

Saumen Chakraborty

Director

Venkatanarasimham Mannam

Chief Financial Officer

Sudipta V

Company Secretary

Place: Hyderabad

Date: 9 May 2015

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 2015	For the year ended 31 March 2014
Cash flow from operating activities		
Profit/(Loss) for the year	879	(1,515)
Adjustments:		
Depreciation	204	204
Interest income	(1,790)	-
Other expenses	-	-
Operating profit before working capital changes	<u>(707)</u>	<u>(1,311)</u>
<i>Changes in operating assets and liabilities</i>		
Other current liabilities	<u>(988)</u>	<u>1,311</u>
Cash generated from/(used in) Operations	<u>(1,695)</u>	<u>-</u>
Income tax paid	<u>(179)</u>	<u>-</u>
Net cash used in operating activities	<u>(1,874)</u>	<u>-</u>
Cash flows from/(used in) investing activities		
Purchase of fixed assets	(190,017)	-
Interest received	1,790	-
Net cash used in investing activities	<u>(188,227)</u>	<u>-</u>
Cash flows from/(used in) financing activities		
Proceeds from issue of shares	<u>200,000</u>	<u>-</u>
Net cash from financing activities	<u>200,000</u>	<u>-</u>
Net increase/(decrease) in cash & bank balances	9,899	-
Cash & bank balances at the beginning of the year	<u>305</u>	<u>305</u>
Cash & bank balances at the end of the year	<u><u>10,204</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

A Ramachandra Rao

Partner

Membership No.: 9750

Place: Hyderabad

Date: 9 May 2015

K Satish Reddy
Director**Saumen Chakraborty**
Director**Venkatanarasimham Mannam**
Chief Financial Officer**Sudipta V**
Company Secretary

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, assessment of recoverable amounts of cash generating units, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

Management's estimates of useful lives for factory and administrative building ranges from 20 to 30 years.

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

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.

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.

e) Interest income

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

f) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

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 (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 and are not discounted to its present value.

h) 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. The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. 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 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 2015	As at 31 March 2014
Authorised		
55,000,000 (previous year : 55,000,000) equity shares of ₹ 10/- each	550,000	550,000
	<u>550,000</u>	<u>550,000</u>
Issued		
54,022,070 (previous year : 34,022,070) equity shares of ₹ 10/- each fully paid up	540,221	340,221
	<u>540,221</u>	<u>340,221</u>
Subscribed and paid-up		
54,022,070 (previous year : 34,022,070) equity shares of ₹ 10/- each fully paid up	540,221	340,221
	<u>540,221</u>	<u>340,221</u>

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

Particulars	As at 31 March 2015		As at 31 March 2014	
	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	20,000,000	200,000	-	-
Number of shares outstanding at the end of the year	54,022,070	540,221	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 2015		As at 31 March 2014	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
Dr. Reddy's Laboratories Limited (including shares held by nominees)	54,022,070	100	34,022,070	100

2.2 : Reserves and surplus

	As at 31 March 2015	As at 31 March 2014
Deficit		
Balance at the beginning of the year	(156,576)	(155,061)
Add: Current year Profit/(Loss)	879	(1,515)
Balance carried forward	<u>(155,697)</u>	<u>(156,576)</u>

2.3 : Long term borrowings

	As at 31 March 2015	As at 31 March 2014
Unsecured		
Long term borrowings from holding company	485	485
	<u>485</u>	<u>485</u>

2.4 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Due to holding company	69,216	70,216
Others	13,662	13,650
	<u>82,878</u>	<u>83,866</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 01.04.2014	Additions	Deletions	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Land	261,783	6,017	-	267,800	-	-	-	-	267,800	261,783
Buildings	6,112	-	-	6,112	204	204	-	408	5,704	5,908
Total tangible assets	267,895	6,017	-	273,912	204	204	-	408	273,504	267,691
Previous year	267,895	-	-	267,895	-	204	-	-	267,691	

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: Long term loans and advances

	As at 31 March 2015	As at 31 March 2014
Capital Advances	184,000	-
Advance income tax	179	-
	<u>184,179</u>	<u>-</u>

2.7 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Bank balances		
In current accounts	10,204	305
	<u>10,204</u>	<u>305</u>

2.8 : Other Income

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest income	1,790	-
	<u>1,790</u>	<u>-</u>

2.9 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Rates and taxes	500	1,300
Legal and professional	195	-
Auditors' remuneration	11	11
Bank charges	1	-
Depreciation	204	204
	<u>911</u>	<u>1,515</u>

2.10 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2015 (previous year: Nil).

2.11 : Earnings per share

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
Gain/(Loss) for the year	879	(1,515)
Shares:		
Weighted average number of equity shares outstanding during the year - Basic	50,898,782	34,022,070
Weighted average number of equity shares outstanding during the year - Diluted	50,898,782	34,022,070
Basic Earnings/(Loss) in ₹ per share	0.02	(0.04)
Diluted Earnings/(Loss) in ₹ per share	0.02	(0.04)

2.12 : Related party transaction

a. The company has the following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i. Operating and other expenses paid / payable to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	500	1,300

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 2015	As at 31 March 2014
i. Due to holding company (included in long term borrowings and other current liabilities):		
Dr. Reddy's Laboratories Limited	69,701	70,701

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

for and on behalf of the Board of Directors

K Satish Reddy
Director

Saumen Chakraborty
Director

A Ramachandra Rao
Partner
Membership No. 9750

Venkatanarasimham Mannam
Chief Financial Officer

Sudipta V
Company Secretary

Place: Hyderabad
Date: 9 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

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 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	633,545	633,545
Reserves and surplus	2.2	<u>(1,032,025)</u>	<u>(1,000,134)</u>
		<u>(398,480)</u>	<u>(366,589)</u>
Non current liabilities			
Long term borrowings	2.3	302,333	289,828
Other long term liabilities	2.4	85,963	86,820
		<u>388,296</u>	<u>376,648</u>
Current liabilities			
Trade payables	2.5	44,755	29,357
Other current liabilities	2.4	25,073	36,786
Short term provisions	2.6	2,827	-
		<u>72,655</u>	<u>66,143</u>
	TOTAL	<u>62,471</u>	<u>76,202</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	4,841	2,810
Deferred tax assets, net	2.20	19,539	35,469
Long term loans and advances	2.8	1,407	2,660
		<u>25,787</u>	<u>40,939</u>
Current assets			
Inventories	2.9	4,216	1,332
Trade receivables	2.10	3,857	5,846
Cash and bank balances	2.11	21,187	9,269
Short term loans and advances	2.12	7,424	12,603
Other current assets	2.13	-	6,213
		<u>36,684</u>	<u>35,263</u>
	TOTAL	<u>62,471</u>	<u>76,202</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: 8 May 2015

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 2015	For the year ended 31 March 2014
Income			
Sales, net		44,769	28,646
Service income		26,863	36,766
License fees		25,082	43,908
Other operating revenues		220	177
Revenue from operations		96,934	109,497
Other income	2.14	186	135
Total revenue		97,120	109,632
Expenses			
Cost of material consumed (including packing material consumed)		35,269	20,928
Changes in inventories of stock-in-trade	2.15	(2,884)	(486)
Employee benefits expense	2.16	39,165	26,801
Finance costs	2.17	-	39
Depreciation expense	2.7	1,553	2,743
Other expenses	2.18	44,336	61,742
Total expenses		117,439	111,767
Loss before tax		(20,319)	(2,135)
Tax expense			
Current tax		3,897	16,498
Deferred tax		7,675	16,097
Loss for the year		(31,891)	(34,730)
Earnings per share			
Basic - Par value BRL 1 per share		(1.19)	(1.30)
Diluted - Par value BRL 1 per share		(1.19)	(1.30)
Number of shares used in computing earnings per share			
Basic		26,699,230	26,699,230
Diluted		26,699,230	26,699,230

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: 8 May 2015

Dr. Reddy's Farmaceutica Do Brasil Ltda.**Cash Flow Statement**

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Loss before taxation	(20,319)	(2,135)
Adjustments:		
Depreciation and amortization expense	1,553	2,743
Foreign exchange (gain) / loss, net	(14,868)	25,056
Interest income	(186)	(135)
Finance costs	-	39
Operating cash flows before working capital changes	(33,820)	25,568
<i>Changes in operating assets and liabilities</i>		
Trade receivables	1,520	(5,725)
Inventories	(2,884)	(486)
Trade payables	30,476	21,356
Other assets and liabilities, net	26,563	(42,526)
Cash generated from / (used in) operations	21,855	(1,813)
Income taxes paid, net	307	(84)
Net cash from / (used in) operating activities	22,162	(1,897)
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(3,584)	(213)
Interest received	186	135
Net cash used in investing activities	(3,398)	(78)
Cash flows from / (used in) financing activities		
Interest paid	-	(39)
Net cash used in financing activities	-	(39)
Net increase / (decrease) in cash and cash equivalents	18,764	(2,014)
Cash and cash equivalents at the beginning of the year	9,269	11,507
Effect of foreign exchange gain on cash and cash equivalents	(6,846)	(224)
Cash and cash equivalents at the end of the year	21,187	9,269
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	21,187	9,269
Other bank balances	-	-
Cash and bank balances at the end of the year	21,187	9,269

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: 8 May 2015

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

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

	Years
Plant and machinery	3 to 15

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

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.

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 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)

e) Inventories

Inventories are valued at the lower of cost and net realisable value (NRV). Cost of inventories comprises all cost of purchase, production or conversion costs and other costs incurred in bringing the inventories to their present location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. The cost of all categories of inventory is determined using weighted average cost method. 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.

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.

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)

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.

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 and are not discounted to its present value.

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) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

k) 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. The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. 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 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 2015	As at 31 March 2014
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 2015		As at 31 March 2014	
	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 2015		As at 31 March 2014	
	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 2015	As at 31 March 2014
Deficit		
Balance at the beginning of the year	(1,000,134)	(965,404)
Add: Current year profit / (loss)	<u>(31,891)</u>	<u>(34,730)</u>
	<u>(1,032,025)</u>	<u>(1,000,134)</u>

2.3 : Long term borrowings

	As at 31 March 2015	As at 31 March 2014
Borrowings from holding company and other group companies	<u>302,333</u>	<u>289,828</u>
	<u>302,333</u>	<u>289,828</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 2015	As at 31 March 2014
a) Other long term liabilities		
Deferred revenue - non current	85,963	86,820
	<u>85,963</u>	<u>86,820</u>

b) Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Accrued expenses	11,426	14,938
Salary and bonus payable	307	421
Due to statutory authorities	1,299	1,771
Others	12,041	19,656
	<u>25,073</u>	<u>36,786</u>

2.5 : Trade payables

	As at 31 March 2015	As at 31 March 2014
Payables to holding company and other group companies	44,755	29,357
	<u>44,755</u>	<u>29,357</u>

2.6 : Short term provisions

	As at 31 March 2015	As at 31 March 2014
Income tax payable	2,827	-
	<u>2,827</u>	<u>-</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)**2.7 : Fixed assets**

Description	Gross Block			Depreciation				Net Block		
	As at 01.4.2014	Additions	Deletions	As at 31.03.2015	As at 01.4.2014	For the year	Deletions	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Plant and machinery	36,699	3,584	-	40,283	33,889	1,553	-	35,442	4,841	2,810
Total	36,699	3,584	-	40,283	33,889	1,553	-	35,442	4,841	2,810
Previous year	36,486	213	-	36,699	31,146	2,743	-	33,889	2,810	

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)

2.8 : Long term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Security deposits	1,407	2,660
	<u>1,407</u>	<u>2,660</u>

2.9 : Inventories

(Valued on weighted average basis)

	As at 31 March 2015	As at 31 March 2014
Stock-in-trade	4,216	1,332
	<u>4,216</u>	<u>1,332</u>

2.10 : Trade receivables

	As at 31 March 2015	As at 31 March 2014
Unsecured		
Debts outstanding for a period exceeding six months		
Considered good	3,857	-
Considered doubtful	29,740	40,718
Other debts		
Considered good	-	5,846
	33,597	46,564
<i>Less : Provision for doubtful debts</i>	(29,740)	(40,718)
	<u>3,857</u>	<u>5,846</u>

2.11 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Cash on hand	50	34
Bank balances		
In current accounts	21,137	9,235
	<u>21,187</u>	<u>9,269</u>

2.12 : Short term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Staff loans and advances	260	178
Balances with statutory agencies	1	1
Prepaid expenses	227	146
Other advances	6,936	12,278
	<u>7,424</u>	<u>12,603</u>

2.13 : Other current assets

	As at 31 March 2015	As at 31 March 2014
<i>Considered good</i>		
Other receivables from holding company and other group companies	-	6,213
	<u>-</u>	<u>6,213</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)

2.14 : Other income

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest income	186	135
	<u>186</u>	<u>135</u>

2.15 : Changes in inventories of stock-in-trade

	As at 31 March 2015	As at 31 March 2014
<i>Opening</i>		
Stock-in-trade	1,332	846
<i>Closing</i>		
Stock-in-trade	<u>4,216</u>	<u>1,332</u>
<i>Net increase</i>	<u>(2,884)</u>	<u>(486)</u>

2.16 : Employee benefits expense

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	22,681	16,010
Staff welfare expenses	<u>16,484</u>	<u>10,791</u>
	<u>39,165</u>	<u>26,801</u>

2.17 : Finance costs

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest expenses	-	39
	<u>-</u>	<u>39</u>

2.18 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Legal and professional	9,701	8,660
Carriage outward	-	82
Rates and taxes	53	130
Selling expenses	5,486	1,083
Travelling and conveyance	2,454	1,184
Communication	1,313	1,131
Rent	5,745	2,762
Insurance	355	138
Foreign exchange loss, net	12,025	32,318
Other general expenses	<u>7,204</u>	<u>14,254</u>
	<u>44,336</u>	<u>61,742</u>

2.19 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2015 (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)**2.20 : Deferred taxation**

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

Particulars	As at	As at
	31 March 2015	31 March 2014
Deferred tax assets / (liabilities)		
Current liabilities	19,539	35,469
Deferred tax asset, net	19,539	35,469

2.21 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended	For the year ended
	31 March 2015	31 March 2014
i. Sales and services rendered to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	27,146	38,395
ii. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	32,532	19,761

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

Particulars	As at	As at
	31 March 2015	31 March 2014
i. Due from holding company and other group companies (included in other current assets):		
Dr. Reddy's Laboratories Limited	-	6,213
ii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	44,755	29,357
iii. Due to holding company and other group companies (included in long term borrowings):		
Dr. Reddy's Laboratories Limited	302,333	289,828

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 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

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

A Ramachandra Rao

Partner

Membership No. 9750

Jobelino Vitoriano Locateli

Director

Place: Hyderabad

Date: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

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 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	35,126	35,126
Reserves and surplus	2.2	<u>(352,402)</u>	<u>(431,390)</u>
		<u>(317,276)</u>	<u>(396,264)</u>
Non current liabilities			
Long term borrowings	2.3	<u>658,277</u>	<u>736,255</u>
		<u>658,277</u>	<u>736,255</u>
Current liabilities			
Trade payables	2.4	362,519	252,096
Other current liabilities	2.5	43,952	23,687
Short term provisions	2.6	<u>4,681</u>	<u>6,055</u>
		<u>411,152</u>	<u>281,838</u>
	TOTAL	<u>752,153</u>	<u>621,829</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	9,430	114
Deferred tax assets, net		94,446	101,927
Long term loans and advances	2.8	<u>1,772</u>	<u>689</u>
		<u>105,648</u>	<u>102,730</u>
Current assets			
Inventories	2.9	251,436	226,643
Trade receivables	2.10	319,973	227,122
Cash and bank balances	2.11	64,728	54,306
Short term loans and advances	2.12	<u>10,368</u>	<u>11,028</u>
		<u>646,505</u>	<u>519,099</u>
	TOTAL	<u>752,153</u>	<u>621,829</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: 8 May 2015

for and on behalf of the Board of Directors

M V Narasimham

Director

Abhijit Mukherjee

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 2015	For the year ended 31 March 2014
Income			
Sales, net		702,308	655,919
Other operating revenues		6,033	1,727
Revenue from operations		708,341	657,646
Other income	2.13	103,970	15,571
Total revenue		812,311	673,217
Expenses			
Purchase of stock-in-trade (traded goods)		356,248	459,739
Changes in inventories of stock-in-trade	2.14	(24,793)	(126,054)
Employee benefits expense	2.15	171,125	152,736
Finance costs	2.16	31,713	35,916
Depreciation and amortization expense	2.7	1,066	1,113
Other expenses	2.17	209,591	144,851
Total expenses		744,950	668,301
Profit before tax		67,361	4,916
Tax expense			
Deferred tax benefit		(11,627)	(2,919)
Profit for the year		78,988	7,835
Earnings per share			
Basic - Par value AUD 1 per share		78.99	7.84
Diluted - Par value AUD 1 per share		78.99	7.84
Number of shares used in computing earnings per share			
Basic		1,000,000	1,000,000
Diluted		1,000,000	1,000,000

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

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

M V Narasimham

Director

A Ramachandra Rao

Partner

Membership No. 9750

Abhijit Mukherjee

Director

Place: Hyderabad

Date: 8 May 2015

Dr. Reddy's Laboratories (Australia) Pty. Limited

Cash Flow Statement

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from operating activities		
Profit before taxation	67,361	4,916
Adjustments:		
Depreciation and amortization expense	1,066	1,113
Foreign exchange (gain) / loss, net	(89,206)	(17,034)
Interest income	(532)	(646)
Finance costs	31,713	35,916
Operating cash flows before working capital changes	10,402	24,265
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(140,215)	21,556
Inventories	(24,793)	(126,054)
Trade payables	163,909	(30,104)
Other assets and liabilities, net	24,014	(89,639)
Cash generated from / (used in) operations	33,316	(199,976)
Income taxes paid, net	-	-
Net cash from / (used in) operating activities	33,316	(199,976)
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(10,382)	(643)
Interest received	532	646
Net cash from / (used in) investing activities	(9,850)	3
Cash flows from / (used in) financing activities		
Proceeds from / (repayment of) long term borrowings, net	-	181,456
Repayment of other long term borrowings		
Proceeds / (repayment) from short term borrowings, net		
Interest paid	(3,181)	(1,932)
Dividend paid		
Net cash used in financing activities	(3,181)	179,524
Net increase / (decrease) in cash and cash equivalents	20,285	(20,449)
Cash and cash equivalents at the beginning of the year	54,306	76,191
Effect of foreign exchange gain on cash and cash equivalents	(9,863)	(1,436)
Cash and cash equivalents at the end of the year	64,728	54,306
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	64,728	54,306
Other bank balances	-	-
Cash and bank balances at the end of the year	64,728	54,306

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: 8 May 2015

for and on behalf of the Board of Directors

M V Narasimham

Director

Abhijit Mukherjee

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

Assets acquired on finance leases and leasehold improvements are depreciated over the period of the lease agreement or the useful life whichever is shorter. Land is not depreciated.

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

	Years
Office equipment	5 to 15

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

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.

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 (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)

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.

f) Inventories

Inventories are valued at the lower of cost and net realisable value (NRV). Cost of inventories comprises all cost of purchase, production or conversion costs and other costs incurred in bringing the inventories to their present location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. The cost of all categories of inventory is determined using weighted average cost method. 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.

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.

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.

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. The estimate of sales returns is determined primarily by the Company's historical experience in the markets in which the Company operates.

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.

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)*

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 and are not discounted to its present value.

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.

l) *Earnings per share*

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

m) *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. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of amortised historical cost.

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 2015	As at 31 March 2014
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 2015		As at 31 March 2014	
	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 2015		As at 31 March 2014	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Dr. Reddy's Laboratories SA	1,000,000	100	1,000,000	100

2.2 : Reserves and surplus

	As at 31 March 2015	As at 31 March 2014
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	(433,185)	(441,020)
Add: Current year profit	<u>78,988</u>	<u>7,835</u>
Balance carried forward	<u>(354,197)</u>	<u>(433,185)</u>
	<u>(352,402)</u>	<u>(431,390)</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 2015	As at 31 March 2014
Borrowings from holding company and other group companies	658,277	736,255
	<u>658,277</u>	<u>736,255</u>

2.4 : Trade payables

	As at 31 March 2015	As at 31 March 2014
Payables to holding company and other group companies	318,534	232,815
Payables to others	43,985	19,281
	<u>362,519</u>	<u>252,096</u>

2.5 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Accrued expenses	29,441	15,933
Due to statutory authorities	3,593	5,100
Others	10,918	2,654
	<u>43,952</u>	<u>23,687</u>

2.6 : Short term provisions

	As at 31 March 2015	As at 31 March 2014
Provision for employee benefits	4,681	6,055
	<u>4,681</u>	<u>6,055</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 01.4.2014	Additions	Deletions	As at 31.03.2015	As at 01.4.2014	For the year	Deletions	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Furniture and Fixtures & Office equipment	1,956	10,382	57	12,281	1,842	1,066	57	2,851	9,430	114
Total tangible assets (A)	1,956	10,382	57	12,281	1,842	1,066	57	2,851	9,430	114
Goodwill	1,779	-	-	1,779	1,779	-	-	1,779	-	-
Total intangible assets (B)	1,779	-	-	1,779	1,779	-	-	1,779	-	-
TOTAL (A+B)	3,735	10,382	57	14,060	3,621	1,066	57	4,630	9,430	114
Previous year	3,092	643	-	3,735	2,508	1,113	-	3,621	114	

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

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Security deposits	1,772	689
	<u>1,772</u>	<u>689</u>

2.9 : Inventories
(Valued on weighted average basis)

	As at 31 March 2015	As at 31 March 2014
Stock-in-trade	251,436	226,643
	<u>251,436</u>	<u>226,643</u>

2.10 : Trade receivables

	As at 31 March 2015	As at 31 March 2014
Unsecured		
Debts outstanding for a period exceeding six months		
Considered good	-	468
Other debts		
Considered good	319,973	226,654
	<u>319,973</u>	<u>227,122</u>

2.11 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Cash on hand	22	26
Bank balances		
In current accounts	64,706	54,280
	<u>64,728</u>	<u>54,306</u>

2.12 : Short term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Balances with statutory agencies	297	141
Staff loans and advances	428	512
Prepaid expenses	9,552	10,294
Other advances	91	81
	<u>10,368</u>	<u>11,028</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 2015	For the year ended 31 March 2014
Interest income	532	646
Foreign exchange gain, net	103,438	14,925
	<u>103,970</u>	<u>15,571</u>

2.14 : Changes in inventories of stock-in-trade

	For the year ended 31 March 2015	For the year ended 31 March 2014
<i>Opening</i>		
Stock-in-trade	226,643	100,589
<i>Closing</i>		
Stock-in-trade	251,436	226,643
<i>Net increase</i>	<u>(24,793)</u>	<u>(126,054)</u>

2.15 : Employee benefits expense

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	159,850	142,306
Contribution to provident and other funds	11,275	10,037
Staff welfare expenses	-	393
	<u>171,125</u>	<u>152,736</u>

2.16 : Finance costs

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest expenses	31,713	35,916
	<u>31,713</u>	<u>35,916</u>

2.17 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Legal and professional	13,651	6,950
Selling expenses	102,834	43,209
Travelling and conveyance	12,308	11,982
Communication	4,001	4,638
Rent	11,459	7,892
Other general expenses	65,338	70,180
	<u>209,591</u>	<u>144,851</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 2015 (previous year: Nil).

2.19: Deferred taxation

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

Particulars	As at 31 March 2015	As at 31 March 2014
Deferred tax assets / (liabilities)		
Inventories	9,826	6,601
Losses carry forward	76,654	91,436
Fixed assets	2,246	6,147
Other current liabilities	5,720	(2,257)
Deferred tax asset, net	94,446	101,927

2.20: Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i. Interest paid to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	-	16,044
Dr. Reddy's Laboratories SA	31,713	19,872
ii. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	206,170	255,003
Dr. Reddy's New Zealand Limited	17,602	-
Promius Pharma LLC	11,182	-
iii. Sales to holding company and other group companies:		
Dr. Reddy's New Zealand Limited	8,065	3,913
iv. Operating expenses paid / payable by holding company and other group companies:		
Promius Pharma LLC	10,377	10,492

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

Particulars	As at 31 March 2015	As at 31 March 2014
i. Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's New Zealand Limited	-	2,750
ii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	288,685	222,323
Promius Pharma LLC	12,196	10,492
Dr. Reddy's New Zealand Limited	17,654	-
iii. Due to holding company and other group companies (included in long term borrowings):		
Dr. Reddy's Laboratories SA	658,277	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

Abhijit Mukherjee

Director

Place: Hyderabad

Date: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

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 1 April 2014 to 31 March 2015	For the period 29 August 2013 to 31 March 2014
Income			
Sales, net		54,880	-
Revenue from operations		54,880	-
Other income	2.13	5,403	-
Total revenue		60,283	-
Expenses			
Purchase of stock-in-trade (traded goods)		38,331	14,340
Changes in inventories of finished goods, work-in-progress and Stock-in-trade	2.14	10,007	(14,340)
Employee benefits expense	2.15	37,174	4,992
Finance costs	2.16	477	-
Depreciation expense	2.7	272	62
Other expenses	2.17	53,100	19,137
Total expenses		139,361	24,191
Loss before tax		(79,078)	(24,191)
Tax expense		-	-
Loss for the period		(79,078)	(24,191)
Earnings per share			
Basic - Par value CAD 1 per share		(790,780.00)	(981,079.44)
Diluted - Par value CAD 1 per share		(790,780.00)	(981,079.44)
Number of shares used in computing earnings per share			
Basic		100	25
Diluted		100	25

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

Saumen Chakraborty
Director

Place: Hyderabad
Date: 8 May 2015

Dr. Reddy's Laboratories (Canada) Inc.
Cash Flow Statement

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Loss before taxation	(79,078)	(24,191)
Adjustments:		
Depreciation and amortization expense	272	62
Foreign exchange (gain) / loss, net	(5,726)	1,047
Allowance for sales returns	345	-
Finance costs	477	-
Provision for inventory obsolescence	21,666	-
Operating cash flows before working capital changes	(62,044)	(23,082)
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(5,714)	-
Inventories	(11,659)	(14,340)
Trade payables	38,569	15,208
Other assets and liabilities, net	6,787	3,090
Cash generated used in operations	(34,060)	(19,123)
Income taxes paid, net	-	-
Net cash used in operating activities	(34,060)	(19,123)
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(20)	(2,288)
Net cash used in investing activities	(20)	(2,288)
Cash flows from / (used in) financing activities		
Proceeds from issuance of share capital	-	58,053
Proceeds / (repayment) from long term borrowings, net	27,871	-
Net cash from financing activities	27,871	58,053
Net increase / (decrease) in cash and cash equivalents	(6,209)	36,642
Cash and cash equivalents at the beginning of the year	34,550	-
Effect of foreign exchange gain on cash and cash equivalents	(2,786)	(2,092)
Cash and cash equivalents at the end of the year	25,555	34,550
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	25,555	34,550
Other bank balances	-	-
Cash and bank balances at the end of the year	25,555	34,550

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: 8 May 2015

for and on behalf of the Board of Directors

Viswanatha R. Bonthu

Director

Saumen Chakraborty

Director

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

Assets acquired on finance leases and leasehold improvements are depreciated over the period of the lease agreement or the useful life whichever is shorter. Land is not depreciated.

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

	Years
Office equipment	3 to 5

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

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.

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 (Canada) Inc.
Significant accounting policies

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

Note 1: Significant accounting policies (continued)

e) Inventories

Inventories are valued at the lower of cost and net realisable value (NRV). Cost of inventories comprises all cost of purchase, production or conversion costs and other costs incurred in bringing the inventories to their present location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. The cost of all categories of inventory is determined using weighted average cost method. 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.

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) 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.

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.

h) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

i) 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. The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. 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 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 2015	As at 31 March 2014
Authorised		
100 equity shares (previous year : 100) of CAD 1 each	<u>6</u>	<u>6</u>
Issued		
100 equity shares (previous year : 100) of CAD 1 each	<u>6</u>	<u>6</u>
Subscribed and paid-up		
100 equity shares (previous year : 100) of CAD 1 each	<u>6</u>	<u>6</u>
	<u>6</u>	<u>6</u>

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

Particulars	As at 31 March 2015		As at 31 March 2014	
	No. of equity shares	Amount	No of equity shares	Amount
Number of shares outstanding at the beginning of the year	100	6	-	-
Add: Shares issued during the year			100	6
Number of shares outstanding at the end of the year	100	6	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 2015		As at 31 March 2014	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
Dr. Reddy's Laboratories SA	100	100	100	100

2.2 : Reserves and surplus

	As at 31 March 2015	As at 31 March 2014
Securities premium account		
Balance at the beginning of the period	58,047	-
Movement during the period	<u>-</u>	<u>58,047</u>
	<u>58,047</u>	<u>58,047</u>
Deficit		
Balance at the beginning of the period	(24,191)	-
Add: Current period loss	<u>(79,078)</u>	<u>(24,191)</u>
Balance carried forward	<u>(103,269)</u>	<u>(24,191)</u>
	<u>(45,222)</u>	<u>33,856</u>

2.3 : Long term borrowings

	As at 31 March 2015	As at 31 March 2014
Borrowings from holding company and other group companies:	<u>24,960</u>	<u>-</u>
	<u>24,960</u>	<u>-</u>

2.4 : Trade payables

	As at 31 March 2015	As at 31 March 2014
Payables to holding company and other group companies:	<u>48,108</u>	<u>14,340</u>
	<u>48,108</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)

2.5 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Due to holding company and other group companies	580	260
Accrued expenses	5,892	2,059
Salary and bonus payable	3,350	-
Other current liabilities	199	1,304
	<u>10,021</u>	<u>3,623</u>

2.6 : Short term provisions

	As at 31 March 2015	As at 31 March 2014
Allowance for sales returns	313	-
	<u>313</u>	<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)

2.7 : Fixed assets

Description	Gross Block				Depreciation				Net Block	
	As at 1.04.2014	Additions	Deletions	As at 31.03.2015	As at 1.04.2014	For the year	Deletions	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Office equipment	187	20	-	207	62	46	-	108	99	125
Plant and Machinery	-	2,017	-	2,017	-	226	-	226	1,791	-
TOTAL	187	2,037	-	2,224	62	272	-	334	1,890	125
For the period 29 August 2013 to 31 March 2014	-	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

2.8 : Long term loans and advances

	As at 31 March 2015	As at 31 March 2014
Security deposits	338	374
	<u>338</u>	<u>374</u>

2.9 : Inventories

	As at 31 March 2015	As at 31 March 2014
Stock-in-trade	4,333	14,340
	<u>4,333</u>	<u>14,340</u>

2.10 : Trade receivables

	As at 31 March 2015	As at 31 March 2014
Unsecured		
Other debts		
Considered good	5,208	-
	<u>5,208</u>	<u>-</u>

2.11 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Bank balances		
In current accounts	25,555	34,550
	<u>25,555</u>	<u>34,550</u>

2.12 : Short term loans and advances

	As at 31 March 2015	As at 31 March 2014
Other advances	862	335
	<u>862</u>	<u>335</u>

2.13 : Other income

	For the period 1 April 2014 to 31 March 2015	For the period 29 August 2013 to 31 March 2014
Foreign exchange gain, net	5,403	-
	<u>5,403</u>	<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

2.14 : Changes in inventories of stock-in-trade

	For the period 1 April 2014 to 31 March 2015	For the period 29 August 2013 to 31 March 2014
<i>Opening</i>		
Stock-in-trade	14,340	-
<i>Closing</i>		
Stock-in-trade	4,333	14,340
<i>Net increase</i>	<u><u>10,007</u></u>	<u><u>(14,340)</u></u>

2.15 : Employee benefits expense

	For the period 1 April 2014 to 31 March 2015	For the period 29 August 2013 to 31 March 2014
Salaries, wages and bonus	35,466	4,483
Contribution to provident and other funds	537	-
Staff welfare expenses	1,171	509
	<u><u>37,174</u></u>	<u><u>4,992</u></u>

2.16 : Finance costs

	For the period 1 April 2014 to 31 March 2015	For the period 29 August 2013 to 31 March 2014
Interest expenses	477	-
	<u><u>477</u></u>	<u><u>-</u></u>

2.17 : Other expenses

	For the period 1 April 2014 to 31 March 2015	For the period 29 August 2013 to 31 March 2014
Legal and professional	7,169	8,540
Rates and taxes	4,895	188
Repairs and maintenance		
Plant and machinery	148	-
Foreign exchange loss, net	-	2,780
Communication	39	251
Other selling expenses	3,959	366
Travelling and conveyance	4,028	894
Rent	2,739	1,557
Other general expenses	30,123	4,561
	<u><u>53,100</u></u>	<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 2015 (previous year: Nil).

2.13: Related party disclosures

a. The Company has following related party transactions:

Particulars	For the period 1 April 2014 to 31 March 2015	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	18,698	14,392
Dr. Reddy's Laboratories Limited	21,022	-
ii. Interest paid / payable to holding company and other group companies:		
Dr. Reddy's Laboratories SA	477	-

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

Particulars	As at 31 March 2015	As at 31 March 2014
i. Due to holding company and other group companies (included in long term borrowings):		
Dr. Reddy's Laboratories SA	24,960	-
ii. Due to holding company and other group companies (included in other current liabilities):		
Dr. Reddy's Laboratories Inc.	580	260
iii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories SA	29,473	14,340
Dr. Reddy's Laboratories Limited	18,636	-

2.14: 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

Saumen Chakraborty

Director

Place: Hyderabad

Date: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

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 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	7,231	7,231
Reserves and surplus	2.2	6,237	8,249
		<u>13,468</u>	<u>15,480</u>
Non current liabilities			
Long term borrowings	2.3	9,716	9,977
Long term provisions	2.4	534	-
		<u>10,250</u>	<u>9,977</u>
Current liabilities			
Trade payables	2.5	349	1,206
Other current liabilities	2.6	1,788	2,274
Short term provisions	2.7	258	280
		<u>2,395</u>	<u>3,760</u>
	TOTAL	<u>26,113</u>	<u>29,217</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.8	5,626	6,651
Intangible assets	2.8	285	401
Capital work-in-progress		481	310
Non current investments	2.9	13,398	13,398
Deferred tax assets, net		401	159
Long term loans and advances	2.10	8	4
Other non current assets	2.11	534	-
		<u>20,733</u>	<u>20,923</u>
Current assets			
Inventories	2.12	1,197	1,674
Trade receivables	2.13	1,570	2,977
Cash and bank balances	2.14	1,875	2,265
Short term loans and advances	2.15	691	738
Other current assets	2.16	47	640
		<u>5,380</u>	<u>8,294</u>
	TOTAL	<u>26,113</u>	<u>29,217</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: 8 May 2015

for and on behalf of the Board of Directors

Subir Kohli

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 2015	For the year ended 31 March 2014
Income			
Sales, net		7,755	8,660
Service income		167	206
Other operating revenues	2.17	668	688
Revenue from operations		<u>8,590</u>	<u>9,554</u>
Other income	2.18	1	-
Total revenue		<u>8,591</u>	<u>9,554</u>
Expenses			
Cost of material consumed (including packing material consumed)		892	1,767
Changes in inventories of finished goods and work-in-progress	2.19	272	(206)
Employee benefits expense	2.20	3,760	3,623
Finance costs	2.21	189	216
Depreciation and amortization expense	2.8	968	912
Other expenses	2.22	4,764	2,961
Total expenses		<u>10,845</u>	<u>9,273</u>
Profit/(Loss) before tax		(2,254)	281
Tax expense			
Current tax		-	2
Deferred tax		(267)	107
Profit/(Loss) for the year		<u>(1,987)</u>	<u>172</u>
Earnings per share			
Basic - Par value GBP 1 per share		(21.76)	1.88
Diluted - Par value GBP 1 per share		(21.76)	1.88
Number of shares used in computing earnings per share			
Basic		9,131,928	9,131,928
Diluted		9,131,928	9,131,928

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

Subir Kohli

Director

A Ramachandra Rao

Partner

Membership No. 9750

V V Parsuram

Director

Place: Hyderabad

Date: 8 May 2015

Dr. Reddy's Laboratories (EU) Limited

Cash Flow Statement

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Profit/(loss) before taxation	(2,254)	281
Adjustments:		
Depreciation and amortization expense	968	912
Allowance for sales returns	5	-
Finance costs	189	216
(Profit) / Loss on sale of fixed assets, net	(1)	-
Provision for inventory obsolescence	510	348
Operating cash flows before working capital changes	(583)	1,757
<i>Changes in operating assets and liabilities</i>		
Trade receivables	1,267	7,476
Inventories	(132)	(363)
Trade payables	(819)	452
Other assets and liabilities, net	217	413
Cash generated from / (used in) operations	(50)	9,735
Income taxes paid, net	(9)	(247)
Net cash from / (used in) operating activities	(60)	9,488
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(488)	(400)
Proceeds from sale of tangible and intangible assets	3	-
Purchase of investments	-	(10,108)
Net cash used in investing activities	(485)	(10,508)
Cash flows from / (used in) financing activities		
Proceeds from long term borrowings, net	485	1,285
Interest paid	(180)	(205)
Net cash from financing activities	305	1,080
Net increase / (decrease) in cash and cash equivalents	(239)	60
Cash and cash equivalents at the beginning of the year	2,265	1,816
Effect of foreign exchange gain on cash and cash equivalents	(151)	389
Cash and cash equivalents at the end of the year	1,875	2,265
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	1,875	2,265
Other bank balances	-	-
Cash and bank balances at the end of the year	1,875	2,265

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: 8 May 2015

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

Subir Kohli

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

Assets acquired on finance leases and leasehold improvements are depreciated over the period of the lease agreement or the useful life 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

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

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.

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 (EU) Limited

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 of Goodwill to be 10 years.

The amortisation period and the amortisation method for intangible assets are reviewed at each financial year-end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

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.

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 individual investment.

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 (NRV). Cost of inventories comprises all cost of purchase, production or conversion costs and other costs incurred in bringing the inventories to their present location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. The cost of all categories of inventory is determined using weighted average cost method. 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.

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 and are not discounted to its present value.

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.

l) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

m) 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. The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. 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 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 2015	As at 31 March 2014
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 2015		As at 31 March 2014	
	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	9,131,928	7,231
Less: Buy back of shares during the year	-	-	-	-
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 2015		As at 31 March 2014	
	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 2015	As at 31 March 2014
Ordinary Shares of GBP 1 each	1,362	1,362

2.2 : Reserves and surplus

	As at 31 March 2015	As at 31 March 2014
Foreign currency translation reserve		
Balance at the beginning of the year	3,866	1,615
Movement during the year	<u>(25)</u>	<u>2,251</u>
	<u>3,841</u>	<u>3,866</u>
Surplus		
Balance at the beginning of the year	4,383	4,211
Add: Current year profit / (loss)	<u>(1,987)</u>	<u>172</u>
Balance carried forward	<u>2,396</u>	<u>4,383</u>
	<u>6,237</u>	<u>8,249</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 2015	As at 31 March 2014
Borrowings from holding company and other group companies	2,318	-
Long term loan from bank	7,398	9,977
	<u>9,716</u>	<u>9,977</u>

2.4 : Long term provisions

	As at 31 March 2015	As at 31 March 2014
Other provisions	534	-
	<u>534</u>	<u>-</u>

2.5 : Trade payables

	As at 31 March 2015	As at 31 March 2014
Payables to holding company and other group companies	306	867
Payables to others	43	339
	<u>349</u>	<u>1,206</u>

2.6 Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Due to capital creditors	74	83
Accrued expenses	651	409
Sales and use tax payable	-	152
Salaries and bonus payable	283	296
Interest Accrued but not due	8	11
Due to holding company and other group companies	618	650
Others	154	673
	<u>1,788</u>	<u>2,274</u>

2.7 : Short term provisions

	As at 31 March 2015	As at 31 March 2014
Income tax payable	258	280
	<u>258</u>	<u>280</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)

2.8 : Fixed assets

Description	Gross Block					Depreciation					Net Block	
	As at 01.04.2014	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Land	698	-	-	(51)	647	-	-	-	-	-	647	698
Building	1,315	-	-	(96)	1,219	540	85	-	(45)	580	639	775
Plant and machinery	9,410	168	-	(675)	8,903	4,268	728	-	(350)	4,646	4,257	5,142
Office equipment	137	136	17	(41)	215	101	63	15	(17)	132	83	36
Total tangible assets (A)	11,560	304	17	(863)	10,984	4,909	876	15	(412)	5,358	5,626	6,651
Goodwill	1,374	-	-	(68)	1,306	973	92	-	(44)	1,021	285	401
Intangibles	4,150	-	-	(336)	3,814	4,150	-	-	(336)	3,814	-	-
Total intangible assets (B)	5,524	-	-	(404)	5,120	5,123	92	-	(380)	4,835	285	401
Total (A+B)	17,084	304	17	(1,267)	16,104	10,032	968	15	(792)	10,193	5,911	7,052
Previous year	13,977	124	-	2,983	17,084	7,491	912	-	1,629	10,032	7,052	

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)

2.9 : Non current investments

Non current investments at cost	As at 31 March 2015	As at 31 March 2014
<i>In Subsidiary Companies</i>		
Dr. Reddy's Laboratories (UK) Limited	1	1
Chirotech Technology Limited	13,397	13,397
	<u>13,398</u>	<u>13,398</u>

2.10 : Long term loans and advances

Unsecured	As at 31 March 2015	As at 31 March 2014
<i>Considered good</i>		
Capital Advance	4	-
Security deposits	4	4
	<u>8</u>	<u>4</u>

2.11 : Other non current assets

	As at 31 March 2015	As at 31 March 2014
Others	534	-
	<u>534</u>	<u>-</u>

2.12 : Inventories

(Valued on weighted average basis)

	As at 31 March 2015	As at 31 March 2014
Raw materials	18	257
Work-in-progress	906	671
Finished goods	223	730
Packing materials	50	16
	<u>1,197</u>	<u>1,674</u>

2.13 : Trade receivables

Unsecured	As at 31 March 2015	As at 31 March 2014
Debts outstanding for a period exceeding six months		
Considered good	-	493
Other debts		
Considered good	1,570	2,484
	<u>1,570</u>	<u>2,977</u>

2.14 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Bank balances		
In current accounts	1,875	2,265
	<u>1,875</u>	<u>2,265</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)

2.15 : Short term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Balances with statutory agencies	285	545
Prepaid expenses	69	59
Advances to material suppliers	334	4
Other advances	3	130
	<u>691</u>	<u>738</u>

2.16 : Other current assets

	As at 31 March 2015	As at 31 March 2014
<i>Considered good</i>		
Other receivables from holding company and other group companies	46	64
Other current assets	1	576
	<u>47</u>	<u>640</u>

2.17 : Other operating revenue

	For the year ended 31 March 2015	For the year ended 31 March 2014
Royalty income	646	687
Miscellaneous income	22	1
	<u>668</u>	<u>688</u>

2.18 : Other income

	For the year ended 31 March 2015	For the year ended 31 March 2014
Profit on sale of fixed assets, net	1	-
	<u>1</u>	<u>-</u>

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
<i>Opening</i>		
Work-in-progress	671	708
Finished goods	730	487
	<u>1,401</u>	<u>1,195</u>
<i>Closing</i>		
Work-in-progress	906	671
Finished goods	223	730
	<u>1,129</u>	<u>1,401</u>
<i>Net increase</i>	<u>272</u>	<u>(206)</u>

2.20 : Employee benefits expense

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	3,585	3,471
Staff welfare expenses	175	152
	<u>3,760</u>	<u>3,623</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)

2.21 : Finance costs

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest expenses	189	216
	189	216

2.23 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Consumption of stores and spare parts	106	93
Other research and development expenses	1,942	-
Legal and professional	115	182
Carriage outward	60	47
Rates and taxes	165	128
Selling expenses	179	73
Repairs and maintenance		
Buildings	39	29
Plant and machinery	321	181
Others	598	751
Power and fuel	714	672
Travelling and conveyance	40	47
Communication	25	26
Rent	43	35
Insurance	75	77
Foreign exchange loss, net	66	142
Other general expenses	276	478
	4,764	2,961

2.24 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2015 (previous year: Nil).

2.25 : Deferred taxation

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

Particulars	As at 31 March 2015	As at 31 March 2014
Deferred tax assets / (liabilities)		
Inventories	204	239
Current assets	-	(19)
Current liabilities	274	-
Fixed assets	(77)	(61)
Deferred tax asset, net	401	159

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)

2.26: Related party disclosures

a. The Company has following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i. Other operating revenues from holding company and other group companies:		
Dr. Reddy's Laboratories SA	645	649
Industrias Quimicas Falcon de Mexico S.A. de CV	9	10
Dr. Reddy's Laboratories Limited	-	19
ii. Sales and services to holding company and other group companies:		
Chirotech Technology Limited	1,377	2,701
Dr. Reddy's Laboratories Limited	262	73
Dr. Reddys Laboratories Inc.	514	89
Dr. Reddy's Laboratories (UK) Limited	-	2
iii. Purchases and services from holding company and other group companies:		
Chirotech Technology Limited	99	641
Dr. Reddy's Laboratories Limited	142	123
Industrias Quimicas Falcon de Mexico S.A. de CV	362	116
iv. Operating expenses paid / payable to holding company and other group companies:		
Chirotech Technology Limited	-	43
v. Interest expense paid / payable to holding company and other group companies:		
Dr. Reddy's Laboratories SA	-	98
Dr. Reddy's Laboratories (UK) Limited	9	-
vi. Guarantee commission paid / payable to holding company and other group companies:		
Dr. Reddy's Laboratories SA	25	14

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

Particulars	As at 31 March 2015	As at 31 March 2014
i. Due from holding company and other group companies (included in other current assets):		
Industrias Quimicas Falcon de Mexico S.A. de CV	46	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	104	2,179
Dr. Reddy's Laboratories SA	149	134
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 31 March 2015	As at 31 March 2014
iii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	141	-
Chirotech Technology Limited	-	756
Industrias Quimicas Falcon de Mexico S.A. de CV	166	111
iv. Due to holding company and other group companies (included in long term borrowings):		
Dr. Reddy's Laboratories (UK) Limited	2,318	-
v. Due to holding company and other group companies (included in other current liabilities):		
Chirotech Technology Limited	608	644
Dr. Reddy's Laboratories Limited	4	6
Dr. Reddy's Laboratories SA	5	-

2.27: Comparative figures

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

2.28: 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**

Subir Kohli

Director

A Ramachandra Rao

Partner

Membership No. 9750

V V Parsuram

Director

Place: Hyderabad

Date: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

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 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	-	-
Reserves and surplus	2.2	1,265	880
		<u>1,265</u>	<u>880</u>
Non current liabilities			
Other long term liabilities	2.3	14	50
		<u>14</u>	<u>50</u>
Current liabilities			
Trade payables	2.4	4,895	5,609
Other current liabilities	2.3	1,756	1,014
		<u>6,651</u>	<u>6,623</u>
	TOTAL	<u><u>7,930</u></u>	<u><u>7,553</u></u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	269	158
Intangible assets	2.5	4	1
Deferred tax assets, net	2.17	51	71
Long term loans and advances	2.6	120	112
		<u>444</u>	<u>342</u>
Current assets			
Inventories	2.7	2,526	2,583
Trade receivables	2.8	2,363	2,092
Cash and bank balances	2.9	976	1,721
Short term loans and advances	2.10	1,621	815
		<u>7,486</u>	<u>7,211</u>
	TOTAL	<u><u>7,930</u></u>	<u><u>7,553</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: 8 May 2015

for and on behalf of the Board of Directors

Saumen Chakraborty

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 2015	For the year ended 31 March 2014
Income			
Sales, net		12,053	11,608
License fees		68	73
Revenue from operations		12,121	11,681
Other income	2.11	252	126
Total revenue		12,373	11,807
Expenses			
Purchase of stock-in-trade (traded goods)		5,188	5,391
Changes in inventories of stock-in-trade	2.12	57	460
Employee benefits expense	2.13	3,437	2,578
Finance costs	2.14	28	18
Depreciation and amortization expense	2.6	61	53
Other expenses	2.15	3,134	2,972
Total expenses		11,905	11,472
Profit before tax		468	335
Tax expense			
Current tax		79	115
Deferred tax		4	(28)
Profit for the year		385	248
Earnings per share			
Basic - Par value Rand 1 per share		385,000.00	248,000.00
Diluted - Par value Rand 1 per share		385,000.00	248,000.00
Number of shares used in computing earnings per share			
Basic		100	100
Diluted		100	100

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
DirectorA Ramachandra Rao
Partner
Membership No. 9750**M.V. Narasimham**
DirectorPlace: Hyderabad
Date: 8 May 2015

Dr. Reddy's Laboratories (Proprietary) Limited**Cash Flow Statement**

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Profit before taxation	468	335
Adjustments:		
Depreciation and amortization expense	61	53
Foreign exchange (gain) / loss, net	(156)	(43)
Interest income	(80)	(61)
Finance costs	28	18
Provision for doubtful debts, net	54	18
Operating cash flows before working capital changes	375	320
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(560)	(481)
Inventories	57	460
Trade payables	(200)	603
Other assets and liabilities, net	(58)	(53)
Cash generated from / (used in) operations	(386)	849
Income taxes paid, net	(121)	(183)
Net cash from / (used in) operating activities	(506)	666
Cash flows from / (used in) investing activities		
Proceeds from sale of tangible and intangible assets	(175)	(99)
Interest received	80	61
Net cash used in investing activities	(95)	(38)
Cash flows from / (used in) financing activities		
Interest paid	(28)	(18)
Net cash used in financing activities	(28)	(18)
Net increase / (decrease) in cash and cash equivalents	(629)	610
Cash and cash equivalents at the beginning of the year	1,721	1,188
Effect of foreign exchange gain on cash and cash equivalents	(116)	(77)
Cash and cash equivalents at the end of the year	976	1,721
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	976	1,721
Other bank balances	-	-
Cash and bank balances at the end of the year	976	1,721

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

M.V. Narasimham

Director

Place: Hyderabad

Date: 8 May 2015

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

Assets acquired on finance leases and leasehold improvements are depreciated over the period of the lease agreement or the useful life whichever is shorter. Land is not depreciated.

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

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

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.

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 (Proprietary) Limited
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 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 of various intangible assets are as follows:

	Years
Intangibles	5

The amortisation period and the amortisation method for intangible assets are reviewed at each financial year-end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

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 (NRV). Cost of inventories comprises all cost of purchase, production or conversion costs and other costs incurred in bringing the inventories to their present location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. The cost of all categories of inventory is determined using weighted average cost method. 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.

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. The estimate of sales returns is determined primarily by the Company's historical experience in the markets in which the Company operates.

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.

k) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

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 2015	As at 31 March 2014
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 2015		As at 31 March 2014	
	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 2015		As at 31 March 2014	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Dr. Reddy's Laboratories SA	100	100	100	100

2.2 : Reserves and surplus

	As at 31 March 2015	As at 31 March 2014
Surplus		
Balance at the beginning of the year	880	632
Add: Current year profit	385	248
	<u>1,265</u>	<u>880</u>

2.3 : Other liabilities

	As at 31 March 2015	As at 31 March 2014
a) Other long term liabilities		
Deferred revenue - non current	14	50
	<u>14</u>	<u>50</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 (continued)**b) Other current liabilities**

	As at 31 March 2015	As at 31 March 2014
Accrued expenses	179	73
Sales and Use tax payable	1,434	631
Others	143	310
	<u>1,756</u>	<u>1,014</u>

2.4 : Trade payables

	As at 31 March 2015	As at 31 March 2014
Payables to holding company and other group companies	4,085	4,791
Payables to others	810	818
	<u>4,895</u>	<u>5,609</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 01.04.2014	Additions	Deletions	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Lease hold improvements	59	71	-	130	34	13	-	47	83	25
Vehicles	68	-	-	68	14	13	-	27	41	54
Furniture and fixtures and office equipment	178	101	-	279	99	35	-	134	145	79
Total tangible assets (A)	305	172	-	477	146	61	-	207	269	158
Intangibles	56	3	-	59	55	-	-	55	4	1
Total intangible assets (B)	56	3	-	59	55	-	-	55	4	1
Total (A+B)	361	175	-	536	202	61	-	263	273	159
Previous year	262	99	-	361	149	53	-	202	159	

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 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Advance tax, net of provision for income taxes	112	81
Security deposits	8	31
	<u>120</u>	<u>112</u>

**2.7 : Inventories
(Valued on weighted average basis)**

	As at 31 March 2015	As at 31 March 2014
Stock-in-trade	2,526	2,583
	<u>2,526</u>	<u>2,583</u>

2.8 : Trade receivables

	As at 31 March 2015	As at 31 March 2014
Unsecured		
Debts outstanding for a period exceeding six months		
<i>Considered good</i>	186	105
<i>Considered doubtful</i>	99	54
Other debts		
<i>Considered good</i>	2,177	1,987
	2,462	2,146
<i>Less : Provision for doubtful debts</i>	(99)	(54)
	<u>2,363</u>	<u>2,092</u>

2.9 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Bank balances		
In current accounts	925	1,721
In term deposit accounts	51	-
	<u>976</u>	<u>1,721</u>

2.10 : Short term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Advances to material suppliers	37	41
Staff loans and advances	14	9
Prepaid expenses	171	119
Other advances	1,399	646
	<u>1,621</u>	<u>815</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 2015	For the year ended 31 March 2014
Interest income	80	61
Foreign exchange gain, net	<u>172</u>	<u>65</u>
	<u>252</u>	<u>126</u>

2.12 : Changes in inventories of stock-in-trade

	For the year ended 31 March 2015	For the year ended 31 March 2014
<i>Opening</i>		
Stock-in-trade	2,583	3,043
<i>Closing</i>		
Stock-in-trade	<u>2,526</u>	<u>2,583</u>
<i>Net (increase) / decrease in stock</i>	<u>57</u>	<u>460</u>

2.13 : Employee benefits expense

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	3,364	2,545
Staff welfare expenses	<u>73</u>	<u>33</u>
	<u>3,437</u>	<u>2,578</u>

2.14 : Finance costs

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest expenses	<u>28</u>	<u>18</u>
	<u>28</u>	<u>18</u>

2.15 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Legal and professional	62	93
Carriage outward	108	110
Selling expenses	2,132	2,081
Rent	185	148
Rates and taxes	-	74
Insurance	41	36
Provision on advances and receivables	54	18
Other general expenses	<u>552</u>	<u>412</u>
	<u>3,134</u>	<u>2,972</u>

2.16 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2015 (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 2015	As at 31 March 2014
Deferred tax assets / (liabilities)		
Trade receivables	9	8
Provisions	-	20
Inventories	26	28
Current assets	-	(4)
Current liabilities	4	(13)
Fixed assets	12	32
Deferred tax asset, net	51	71

2.18 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	4,839	4,318

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

Particulars	As at 31 March 2015	As at 31 March 2014
i. Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's Laboratories Limited	22	2
ii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	4,085	4,791

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

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 8 May 2015

for and on behalf of the Board of Directors

Saumen Chakraborty

Director

M.V. Narasimham

Director

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

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 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1	1
Reserves and surplus	2.2	15,578	10,996
		<u>15,579</u>	<u>10,997</u>
Non current liabilities			
Long term borrowings	2.3	2	2
Other long term liabilities	2.4	232	124
		<u>234</u>	<u>126</u>
Current liabilities			
Trade payables	2.5	3,905	1,689
Other current liabilities	2.4	3,503	2,197
Short term provisions	2.6	1,128	62
		<u>8,536</u>	<u>3,948</u>
	TOTAL	<u><u>24,349</u></u>	<u><u>15,071</u></u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	1,340	1,586
Intangible assets		187	-
Capital work-in-progress		11	12
Deferred tax assets, net	2.19	213	154
Long term loans and advances	2.8	2,318	209
		<u>4,069</u>	<u>1,961</u>
Current assets			
Inventories	2.9	3,516	2,188
Trade receivables	2.10	12,724	4,959
Cash and bank balances	2.11	3,684	4,800
Short term loans and advances	2.12	339	1,131
Other current assets	2.13	17	32
		<u>20,280</u>	<u>13,110</u>
	TOTAL	<u><u>24,349</u></u>	<u><u>15,071</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: 8 May 2015

for and on behalf of the Board of Directors

Subir Kohli

Director

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 2015	For the year ended 31 March 2014
Income			
Sales, net		28,981	21,226
License fees		395	800
Other operating revenues		5	6
Revenue from operations		29,381	22,032
Other income	2.14	75	1,227
Total revenue		29,456	23,259
Expenses			
Purchase of stock-in-trade (traded goods)		17,457	14,339
Changes in inventories of stock-in-trade	2.15	(1,412)	(1,560)
Employee benefits expense	2.16	2,864	3,615
Depreciation and amortization expense	2.7	360	348
Other expenses	2.17	4,145	2,999
Total expenses		23,414	19,741
Profit before tax		6,042	3,518
Tax expense			
Current tax		1,232	150
Deferred tax expense / (benefit)		(72)	58
Profit for the year		4,882	3,310
Earnings per share			
Basic - Par value GBP 1 per share		488,200.00	331,000.00
Diluted - Par value GBP 1 per share		488,200.00	331,000.00
Number of shares used in computing earnings per share			
Basic		1,000	1,000
Diluted		1,000	1,000

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

for and on behalf of the Board of Directors

A Ramachandra Rao

Partner

Membership No. 9750

Subir Kohli

Director

Place: Hyderabad

Date: 8 May 2015

M V Narasimham

Director

Dr. Reddy's Laboratories (UK) Limited

Cash Flow Statement

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from operating activities		
Profit before taxation	6,042	3,518
Adjustments:		
Depreciation and amortization expense	360	348
Foreign exchange (gain) / loss, net	435	(1,066)
Allowance for sales returns	217	54
Interest income	(75)	(33)
Provision for inventory obsolescence	49	2
Provision for doubtful debts, net	4	58
Operating cash flows before working capital changes	7,032	2,880
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(8,666)	1,605
Inventories	(1,377)	(1,653)
Trade payables	2,493	393
Other assets and liabilities, net	2,059	(1,100)
Cash generated from operations	1,541	2,126
Income taxes paid, net	(2)	(588)
Net cash from operating activities	1,539	1,538
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(314)	(285)
(Increase) / decrease in deposit accounts (having original maturity of more than 3 months) and other bank balances	1,227	(3,708)
Loans and advances given to holding company and other group companies, net	(2,461)	-
Interest received	81	1
Net cash used in investing activities	(1,467)	(3,992)
Cash flows from / (used in) financing activities		
Net cash used in financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	71	(2,454)
Cash and cash equivalents at the beginning of the year	1,205	3,090
Effect of foreign exchange gain on cash and cash equivalents	(93)	569
Cash and cash equivalents at the end of the year	1,184	1,205
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	1,184	1,205
Other bank balances	2,500	3,595
Cash and bank balances at the end of the year	3,684	4,800

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: 8 May 2015

for and on behalf of the Board of Directors

Subir Kohli

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

Assets acquired on finance leases and leasehold improvements are depreciated over the period of the lease agreement or the useful life 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

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

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.

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 (UK) Limited

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 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. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

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 (NRV). Cost of inventories comprises all cost of purchase, production or conversion costs and other costs incurred in bringing the inventories to their present location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. The cost of all categories of inventory is determined using weighted average cost method. 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.

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:

- 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. The estimate of sales returns is determined primarily by the Company's historical experience in the markets in which the Company operates.

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.

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)

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.

l) 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. The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. 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.

m) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

n) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, "short-term" means investments having maturity of three months or less from the date of investment.

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 2015	As at 31 March 2014
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>
	<u>1</u>	<u>1</u>

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

Particulars	As at 31 March 2015		As at 31 March 2014	
	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 2015		As at 31 March 2014	
	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 2015	As at 31 March 2014
Foreign currency translation reserve		
Balance at the beginning of the year	585	585
Movement during the year	<u>(300)</u>	<u>-</u>
	<u>285</u>	<u>585</u>
Surplus		
Balance at the beginning of the year	10,411	7,101
Add: Current year profit	<u>4,882</u>	<u>3,310</u>
Balance carried forward	<u>15,293</u>	<u>10,411</u>
	<u>15,578</u>	<u>10,996</u>

2.3 : Long term borrowings

	As at 31 March 2015	As at 31 March 2014
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 2015	As at 31 March 2014
a) Other long term liabilities		
Deferred revenue - non current	232	124
	<u>232</u>	<u>124</u>

b) Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Due to capital creditors	3	17
Accrued expenses	1,370	1,006
Salary and bonus payable	269	275
Due to statutory authorities	1,226	78
Others	635	821
	<u>3,503</u>	<u>2,197</u>

2.5 : Trade payables

	As at 31 March 2015	As at 31 March 2014
Payables to holding company and other group companies	2,051	1,402
Payables to others	1,854	287
	<u>3,905</u>	<u>1,689</u>

2.6 : Short term provisions

	As at 31 March 2015	As at 31 March 2014
Income tax payable	866	-
Allowance for sales returns	262	62
	<u>1,128</u>	<u>62</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 01.04.2014	Additions	Deletions	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Land	152	-	-	152	-	-	-	-	152	152
Building	1,392	-	-	1,392	381	64	-	445	947	1,011
Plant and machinery	2,028	67	-	2,095	1,632	246	-	1,878	218	396
Leasehold improvements	173	-	-	173	173	-	-	173	-	-
Furniture and fixtures and office equipment	453	22	-	475	426	25	-	451	24	27
Total tangible assets (A)	4,198	89	-	4,287	2,611	335	-	2,946	1,340	1,586
Intangibles	389	212	-	601	389	25	-	414	187	-
Total intangible assets (B)	389	212	-	601	389	25	-	414	187	-
Total (A+B)	4,587	301	-	4,888	3,001	360	-	3,360	1,527	1,586
Previous year	4,576	12	1	4,587	2,654	348	1	3,001	1,586	

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 2015	As at 31 March 2014
Unsecured		
Loans and advances to holding company and other group companies	2,318	-
Advance tax, net of provision for income taxes	-	209
	2,318	209

2.9 : Inventories
(Valued on weighted average basis)

	As at 31 March 2015	As at 31 March 2014
Stock-in-trade (in respect of goods acquired for trading)	3,320	1,908
Packing materials	196	280
	3,516	2,188

2.10 : Trade receivables

	As at 31 March 2015	As at 31 March 2014
Unsecured		
Debts outstanding for a period exceeding six months		
Considered good	15	104
Considered doubtful	65	71
Other debts		
Considered good	12,709	4,855
	12,789	5,030
<i>Less</i> : Provision for doubtful debts	(65)	(71)
	12,724	4,959

2.11 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Cash on hand	1	2
Bank balances		
In current accounts	1,183	1,203
Cash and cash equivalents (A)	1,184	1,205
In term deposit accounts (original maturity more than 3 months)	2,500	3,595
Other bank balances (B)	2,500	3,595
Total cash and bank balances (A+B)	3,684	4,800

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	As at
<i>Considered good</i>	31 March 2015	31 March 2014
Balances with statutory agencies	-	592
Prepaid expenses	24	33
Advances to material suppliers	315	506
	<u>339</u>	<u>1,131</u>

2.13 : Other current assets

<i>Considered good</i>	As at	As at
Interest receivable	31 March 2015	31 March 2014
	17	32
	<u>17</u>	<u>32</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 2015	For the year ended 31 March 2014
Interest income	75	33
Foreign exchange gain, net	-	1,194
	<u>75</u>	<u>1,227</u>

2.15 : Changes in inventories of stock-in-trade

	For the year ended 31 March 2015	For the year ended 31 March 2014
<i>Opening</i>		
Stock-in-trade	1,908	348
<i>Closing</i>		
Stock-in-trade	<u>3,320</u>	<u>1,908</u>
<i>Net (increase) / decrease</i>	<u>(1,412)</u>	<u>(1,560)</u>

2.16 : Employee benefits expense

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	2,827	3,544
Staff welfare expenses	37	71
	<u>2,864</u>	<u>3,615</u>

2.17 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Legal and professional	554	1,176
Carriage outward	350	327
Rates and taxes	1,500	287
Commission on sales	31	97
Selling expenses	116	113
Repairs and maintenance		
Plant and machinery	120	102
Others	155	108
Power and fuel	51	53
Travelling and conveyance	254	265
Rent	104	124
Provision on advances and debtors	-	56
Insurance	77	81
Foreign exchange loss, net	539	-
Other general expenses	294	210
	<u>4,145</u>	<u>2,999</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 2015 (previous year: Nil).

2.19 : Deferred taxation

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

Particulars	As at 31 March 2015	As at 31 March 2014
Deferred tax assets / (liabilities)		
Trade receivables	48	10
Provisions	-	(23)
Inventory	-	(9)
Current liabilities	11	(116)
Fixed assets	154	292
Deferred tax asset, net	213	154

2.20 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i. Sales and services rendered to holding company and other group companies:		
betapharma Arzneimittel GmbH	576	200
Dr. Reddy's Laboratories SA	28	126
Dr. Reddy's SRL	13	-
Dr. Reddy's Venezuela, C.A.	1,100	-
ii. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	12,835	12,203
Dr. Reddy's Laboratories (EU) Ltd.	-	2
Industrias Quimicas Falcon de Mexico SA de CV	118	108
iii. Interest income from holding company and other group companies:		
Dr. Reddy's Laboratories (EU) Ltd.	9	-

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

Particulars	As at 31 March 2015	As at 31 March 2014
i. Due to holding company and other group companies (included in trade payables and borrowings):		
Dr. Reddy's Laboratories Limited	2,051	1,402
ii. Due from holding company and other group companies (included in trade receivables and advances):		
betapharma Arzneimittel GmbH	123	108
Dr. Reddy's Venezuela, C.A.	1,123	-
Dr. Reddy's Laboratories (EU) Ltd.	2,318	-

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

Subir Kohli

Director

Place: Hyderabad

Date: 8 May 2015

M V Narasimham

Director

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

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 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	5,802	5,802
Reserves and surplus	2.2	68,551	54,850
		74,353	60,652
Non current liabilities			
Other long term liabilities	2.3	2,540	1,221
		2,540	1,221
Current liabilities			
Trade payables	2.4	346,795	250,581
Other current liabilities	2.3	28,559	23,829
Short term provisions	2.5	25,790	15,699
		401,144	290,109
	TOTAL	478,037	351,982
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	5,391	4,713
Intangible assets	2.6	4,331	731
Capital work-in-progress		841	1,069
Non current investments	2.7	48,118	46,886
Deferred tax assets, net		11,433	8,565
Long term loans and advances	2.8	1,588	4,194
		71,702	66,158
Current assets			
Inventories	2.9	91,496	94,389
Trade receivables	2.10	213,101	133,537
Cash and bank balances	2.11	1,454	6,366
Short term loans and advances	2.12	465	2,847
Other current assets	2.13	99,819	48,685
		406,335	285,824
	TOTAL	478,037	351,982

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: 8 May 2015

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 2015	For the year ended 31 March 2014
Income			
Sales, net		633,131	546,914
Service income		1,356	1,485
License fees		195	136
Other operating revenues		15,900	4,088
Revenue from operations		650,582	552,623
Other income	2.14	5	-
Total revenue		650,587	552,623
Expenses			
Purchase of stock-in-trade (traded goods)		545,419	524,845
Changes in inventories of stock-in-trade	2.15	2,893	(40,388)
Conversion charges		9,126	12,593
Employee benefits expense	2.16	31,040	17,861
Finance costs	2.17	17	16
Depreciation and amortization expense	2.6	1,600	608
Other expenses	2.18	47,107	34,360
Total expenses		637,202	549,895
Profit before tax		13,385	2,728
Tax expense			
Current tax	2.22	1,182	657
Deferred tax benefit		(2,052)	(2,769)
Profit for the year		14,255	4,840
Earnings per share			
Basic - Par value USD 10 per share		1,017.46	345.47
Diluted - Par value USD 10 per share		1,017.46	345.47
Number of shares used in computing earnings per share			
Basic		1,401,000	1,401,000
Diluted		1,401,000	1,401,000

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

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: 8 May 2015

Dr. Reddy's Laboratories Inc.**Cash Flow Statement**

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Profit before taxation	13,385	2,728
Adjustments:		
Depreciation and amortization expense	1,600	608
Foreign exchange (gain) / loss, net	3,046	4,286
Allowance for sales returns	21,130	14,085
Interest income	(5)	-
Finance costs	17	16
Provision for inventory obsolescence	408	251
Provision / (reversal of provision) for doubtful debts, net	160	(450)
Provision / (reversal of provision) for doubtful advances, net	(85)	22
Operating cash flows before working capital changes	39,655	21,546
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(72,356)	(14,123)
Inventories	2,485	(40,639)
Trade payables	83,389	58,463
Other assets and liabilities, net	(52,797)	(9,067)
Cash generated from operations	376	16,180
Income taxes paid, net	835	(3,400)
Net cash from operating activities	1,211	12,780
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(2,277)	(6,958)
Purchase of investments	(1,232)	(1,061)
Cash paid for acquisition of business units, net of cash acquired	(2,763)	-
Interest received	5	-
Net cash used in investing activities	(6,268)	(8,019)
Cash flows from / (used in) financing activities		
Repayment from long term borrowings, net	(1)	(32)
Interest paid	(17)	(16)
Net cash used in financing activities	(18)	(48)
Net increase / (decrease) in cash and cash equivalents	(5,074)	4,713
Cash and cash equivalents at the beginning of the year	6,366	1,537
Effect of foreign exchange gain on cash and cash equivalents	162	116
Cash and cash equivalents at the end of the year	1,454	6,366
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	1,454	6,366
Other bank balances	-	-
Cash and bank balances at the end of the year	1,454	6,366

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: 8 May 2015

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

Assets acquired on finance leases and leasehold improvements are depreciated over the period of the lease agreement or the useful life whichever is shorter. Land is not depreciated.

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
Laboratory equipment	5 to 15
Plant and machinery	3 to 15
Furniture and fixtures and office equipment	3 to 8

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

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.

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)

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 of various intangible assets are as follows:

	Years
Softwares	3
Goodwill	5
Others	3 to 5

The amortisation period and the amortisation method for intangible assets are reviewed at each financial year-end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

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.

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 individual investment.

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 (NRV). Cost of inventories comprises all cost of purchase, production or conversion costs and other costs incurred in bringing the inventories to their present location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. The cost of all categories of inventory is determined using weighted average cost method. 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.

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:

- 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 Inc.

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 recognized in the statement of profit and loss as and when the services are received from the employees.

Compensated leave of absence

The Company provides for accumulation of compensated absences by certain categories of its employees. These employees can carry forward a portion of the unutilized compensated absences and utilize it in future periods or receive cash in lieu thereof as per Company policy. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The measurement of such obligation is based on actuarial valuation as at the balance sheet date carried out by a qualified actuary.

Termination benefits

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

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.

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)

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. The estimate of sales returns is determined primarily by the Company's historical experience in the markets in which the Company operates.

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.

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.

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

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.

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) 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.

o) Leases

At the inception of the lease, a lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the 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.

p) 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. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of amortised historical cost.

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 2015	As at 31 March 2014
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 2015		As at 31 March 2014	
	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 2015		As at 31 March 2014	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Dr. Reddy's laboratories SA	1,401,000	100	1,401,000	100

2.2 : Reserves and surplus

	As at 31 March 2015	As at 31 March 2014
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	554
Movement during the year	<u>(554)</u>	<u>-</u>
	<u>-</u>	<u>554</u>
Surplus		
Balance at the beginning of the year	46,194	41,354
Add: Current year profit	<u>14,255</u>	<u>4,840</u>
Balance carried forward	<u>60,449</u>	<u>46,194</u>
	<u>68,551</u>	<u>54,850</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 : Other liabilities****a) Other long term liabilities**

	As at 31 March 2015	As at 31 March 2014
Other long term liabilities	2,540	1,221
	<u>2,540</u>	<u>1,221</u>

b) Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Current maturities of finance lease obligations	-	1
Due to capital creditors	180	481
Due to holding company and other group companies	1,866	82
Accrued expenses	5,892	6,171
Salary and bonus payable	5,219	3,659
Due to statutory authorities	14	15
Others	15,388	13,420
	<u>28,559</u>	<u>23,829</u>

2.4 : Trade payables

	As at 31 March 2015	As at 31 March 2014
Payables to holding company and other group companies	344,992	248,525
Payables to others	1,803	2,056
	<u>346,795</u>	<u>250,581</u>

2.5 : Short term provisions

	As at 31 March 2015	As at 31 March 2014
Provision for employee benefits	1	1
Allowance for sales returns	25,789	15,698
	<u>25,790</u>	<u>15,699</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)

2.6 : Fixed assets

Description	Gross Block				Depreciation / Amortization				Net Block	
	As at 01.04.2014	Additions	Deletions	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Lease hold improvements	5,049	963	-	6,012	881	510	-	1,391	4,621	4,168
Electrical equipment	416	458	-	874	247	200	-	447	427	169
Lab Equipment	-	88	-	88	-	22	-	22	66	-
Plant & Machinery	-	133	-	133	-	37	-	37	96	-
Furniture and fixtures and office equipment	1,189	27	-	1,216	831	222	-	1,053	163	358
Canteen equipment	19	-	-	19	1	-	-	1	18	18
Total tangible assets (A)	6,673	1,669	-	8,342	1,960	991	-	2,951	5,391	4,713
Softwares	485	650	-	1,135	87	31	-	118	1,017	398
Goodwill	-	2,588	-	2,588	-	394	-	394	2,194	-
Other intangibles	333	971	-	1,304	-	184	-	184	1,120	333
Total intangible assets (B)	818	4,209	-	5,027	87	609	-	696	4,331	731
Total (A+B)	7,491	5,878	-	13,369	2,047	1,600	-	3,647	9,722	5,444
Previous year	1,902	5,589	-	7,491	1,439	608	-	2,047	5,444	

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 : Non current investments

Non current investments at cost	As at 31 March 2015	As at 31 March 2014
<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	3,619	2,386
	<u>48,118</u>	<u>46,886</u>

2.8 : Long term loans and advances

Unsecured	As at 31 March 2015	As at 31 March 2014
<i>Considered good</i>		
Advance tax, net of provision for income taxes	1,425	3,285
Capital advances for purchase of fixed assets	-	756
Security deposits	163	153
	<u>1,588</u>	<u>4,194</u>

2.9 : Inventories

(Valued on weighted average basis)

	As at 31 March 2015	As at 31 March 2014
Stock-in-trade	91,496	94,389
	<u>91,496</u>	<u>94,389</u>

2.10 : Trade receivables

Unsecured	As at 31 March 2015	As at 31 March 2014
Debts outstanding for a period exceeding six months		
Considered good	5,640	2,831
Considered doubtful	252	269
Other debts		
Considered good	207,461	130,706
	213,353	133,806
<i>Less : Provision for doubtful debts</i>	(252)	(269)
	<u>213,101</u>	<u>133,537</u>

2.11 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Cash on hand	1	1
Bank balances		
In current accounts	1,453	6,365
	<u>1,454</u>	<u>6,366</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)

2.12 : Short term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Advances to material suppliers	84	2,263
Staff loans and advances	16	16
Prepaid expenses	327	345
Other advances	38	223
<i>Considered doubtful</i>		
Other advances recoverable in cash or in kind or for value to be received	-	81
	<u>465</u>	<u>2,928</u>
<i>Less : Provision for doubtful loans and advances</i>	-	(81)
	<u>465</u>	<u>2,847</u>

2.13 : Other current assets

	As at 31 March 2015	As at 31 March 2014
<i>Considered good</i>		
Other receivables from holding company and other group companies	98,091	48,685
Other current assets	1,728	-
	<u>99,819</u>	<u>48,685</u>

2.14 : Other income

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest income	5	-
	<u>5</u>	<u>-</u>

2.15 : Changes in inventories of stock-in-trade

	For the year ended 31 March 2015	For the year ended 31 March 2014
<i>Opening</i>		
Stock-in-trade	94,389	54,001
<i>Closing</i>		
Stock-in-trade	91,496	94,389
<i>Net increase</i>	<u>2,893</u>	<u>(40,388)</u>

2.16 : Employee benefits expense

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	27,060	15,093
Contribution to provident and other funds	1,990	1,383
Staff welfare expenses	1,990	1,385
	<u>31,040</u>	<u>17,861</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)

2.17 : Finance costs

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest expenses	17	16
	<u>17</u>	<u>16</u>

2.18 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Legal and professional	5,867	4,424
Rates and taxes	166	91
Selling expenses	11,686	16,805
Other research and development expenses	12,608	7,156
Repairs and maintenance		
Buildings	77	6
Plant and machinery	-	6
Others	1	-
Rent	1,472	1,659
Insurance	527	489
Foreign exchange loss, net	3,694	2,242
Bad debts	2	88
Provision / (reversal of provision) for doubtful debts and advances, net	73	(518)
Other general expenses	10,934	1,912
	<u>47,107</u>	<u>34,360</u>

2.19 : 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.

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) as on 31 March 2015 is ₹ 686 (previous year: ₹ 302).

2.20 : Deferred taxation

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

Particulars	As at 31 March 2015	As at 31 March 2014
Deferred tax assets / (liabilities)		
Trade receivables	10,419	7,103
Inventories	930	719
Current liabilities	1,045	640
Current assets	(1,416)	(743)
Fixed assets	3,332	2,895
Others	(2,877)	(2,049)
Deferred tax asset, net	<u>11,433</u>	<u>8,565</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)

2.21: Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i. Sales and services to holding company and other group companies:		
Aurigene Discovery Technologies Inc.	7	45
Dr. Reddy's Laboratories Limited	12,653	9,555
Dr. Reddy's Laboratories SA	2,833	203
ii. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	384,954	377,160
Dr. Reddy's Laboratories SA, Switzerland	62,912	72,056
Industrias Quimicas Falcon de Mexico S.A. de C.V.	5,146	1,759
Dr. Reddy's Laboratories (EU) Limited	514	89
Dr. Reddy's Laboratories Louisiana LLC	13,630	12,590
Dr. Reddy's Laboratories Tennessee LLC	14,689	19,249
betapharma Arzneimittel GmbH	50,236	31,973
Chirotech Technology Limited	19	2
Promius Pharma LLC	2,727	860
iii. Operating and other expenses paid / payable to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	-	167
iv. Royalty paid to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	387	376

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

Particulars	As at 31 March 2015	As at 31 March 2014
i. Due from holding company and other group companies (included in advances and other assets):		
Dr. Reddy's Laboratories Limited	17,178	4,283
Promius Pharma LLC	61,511	36,913
Aurigene Discovery Technologies Inc.	20	23
Dr. Reddy's Laboratories New York, Inc	4,833	127
Dr. Reddy's Laboratories Tennessee, LLC	13,415	6,744
Dr. Reddy's Laboratories SA	1,128	592
Dr. Reddy's Laboratories Canada Inc.	6	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	256,190	212,236
Dr. Reddy's Laboratories SA, Switzerland	43,813	2,757
Industrias Quimicas Falcon de Mexico S.A. de C.V.	-	709
Dr. Reddy's Laboratories (EU) Limited	-	64
Dr. Reddy's Laboratories Louisiana LLC	36,656	19,602
betapharma Arzneimittel GmbH	8,348	13,157
Chirotech Technology Limited	19	-

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)

2.21: Related party disclosures (continued)

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

Particulars	As at	
	31 March 2015	31 March 2014
iv. Due to related parties (included in other current liabilities):		
Dr. Reddy's Laboratories Limited	-	82
Promius Pharma LLC	1,863	-
Dr. Reddy's Laboratories Louisiana LLC	3	-

2.22: The total tax expense for the Company is computed and presented jointly with its subsidiaries as per the tax laws of United States.

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 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

G.V. Prasad

Director

Place: Hyderabad

Date: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

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 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	275,120	275,120
Reserves and surplus	2.2	<u>(211)</u>	<u>(2,935)</u>
		<u>274,909</u>	<u>272,185</u>
Current liabilities			
Other current liabilities	2.3	919	1,368
Short term provisions	2.4	<u>51</u>	<u>231</u>
		<u>970</u>	<u>1,599</u>
	TOTAL	<u>275,879</u>	<u>273,784</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	2,331	37,274
Non current investments	2.6	225,512	225,512
Long term loans and advances	2.7	<u>38,598</u>	<u>-</u>
		<u>266,441</u>	<u>262,786</u>
Current assets			
Cash and bank balances	2.8	8,001	5,527
Short term loans and advances	2.9	-	1
Other current assets	2.10	<u>1,437</u>	<u>5,470</u>
		<u>9,438</u>	<u>10,998</u>
	TOTAL	<u>275,879</u>	<u>273,784</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: 8 May 2015

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 2015	For the year ended 31 March 2014
Income			
Other operating revenue		1,320	5,178
Revenue from operations		1,320	5,178
Other income	2.11	3,404	781
Total revenue		4,724	5,959
Expenses			
Depreciation expense	2.5	1,339	4,786
Other expenses	2.12	501	1,490
Total expenses		1,840	6,276
Profit / (Loss) before tax		2,884	(317)
Tax expense			
Current tax		160	174
Profit / (Loss) for the year		2,724	(491)
Earnings per share			
Basic - Par value CHF 1 per share		0.53	(0.10)
Diluted - Par value CHF 1 per share		0.53	(0.10)
Number of shares used in computing earnings per share			
Basic		5,100,000	5,100,000
Diluted		5,100,000	5,100,000

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

for and on behalf of the Board of Directors f

A Ramachandra Rao

Partner

Membership No. 9750

Satish Reddy

Director

Place: Hyderabad

Date: 8 May 2015

G.V. Prasad

Director

Dr. Reddy's Laboratories International SA
Cash Flow Statement

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Profit / (loss) before taxation	2,884	(317)
Adjustments:		
Depreciation and amortization expense	1,339	4,786
Foreign exchange (gain) / loss, net	1,405	(1,092)
Interest income	(43)	(2)
(Profit) / Loss on sale of fixed assets, net	(756)	-
Operating cash flows before working capital changes	4,829	3,375
<i>Changes in operating assets and liabilities</i>		
Other assets and liabilities, net	3,451	(4,687)
Cash generated / (used in) from operations	8,280	(1,312)
Income taxes paid, net	(333)	(175)
Net cash from / (used in) operating activities	7,947	(1,487)
Cash flows from / (used in) investing activities		
Proceeds from sale of tangible and intangible assets	34,360	10
Purchase of investments	-	(213)
Loans and advances to holding company and other group companies, net	(39,519)	-
Interest received	43	2
Net cash used in investing activities	(5,116)	(201)
Cash flows from / (used in) financing activities		
Net cash from / (used in) financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	2,831	(1,688)
Cash and cash equivalents at the beginning of the year	5,527	6,103
Effect of foreign exchange gain on cash and cash equivalents	(357)	1,112
Cash and cash equivalents at the end of the year	8,001	5,527
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	8,001	5,527
Other bank balances	-	-
Cash and bank balances at the end of the year	8,001	5,527

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: 8 May 2015

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

Assets acquired on finance leases and leasehold improvements are depreciated over the period of the lease agreement or the useful life 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	10 to 15

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

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.

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.

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 and are not discounted to its present value.

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.

i) 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.

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 individual investment.

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.

j) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

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 2015	As at 31 March 2014
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	<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	<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 2015		As at 31 March 2014	
	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	5,100,000	275,120
Shares issued during the year	-	-		
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 2015		As at 31 March 2014	
	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 2015	As at 31 March 2014
Deficit		
Balance at the beginning of the year	(2,935)	(2,444)
Add: Current year profit / (loss)	2,724	(491)
	<u>(211)</u>	<u>(2,935)</u>

2.3 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Accrued expenses	813	950
Sales and use tax payable	106	405
Others	-	13
	<u>919</u>	<u>1,368</u>

2.4 : Short term provisions

	As at 31 March 2015	As at 31 March 2014
Income tax payable	51	231
	<u>51</u>	<u>231</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 01.04.2014	Additions	Deletions	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Plant and machinery	44,095	-	40,514	3,581	6,821	1,339	6,910	1,250	2,331	37,274
Total tangible assets	44,095	-	40,514	3,581	6,821	1,339	6,910	1,250	2,331	37,274
Previous year	44,105	-	10	44,095	2,035	4,786	-	6,821	37,274	

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

	As at 31 March 2015	As at 31 March 2014
Non current investments at cost		
<i>In Subsidiary Companies</i>		
Dr. Reddy's Laboratories New York Inc.	225,299	225,299
OOO Dr. Reddy's Laboratories Limited	213	213
	<u>225,512</u>	<u>225,512</u>

2.7 : Long term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Loans and advances to holding company and other group companies	38,598	-
	<u>38,598</u>	<u>-</u>

2.8 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Bank balances		
In current accounts	8,001	5,527
	<u>8,001</u>	<u>5,527</u>

2.9 : Short term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Balances with statutory agencies	-	1
	<u>-</u>	<u>1</u>

2.10 : Other current assets

	As at 31 March 2015	As at 31 March 2014
Other receivables from holding company and other group companies	1,437	5,470
	<u>1,437</u>	<u>5,470</u>

2.11 : Other income

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest income	43	2
Foreign exchange gain, net	2,605	779
Profit on sale of fixed assets, net	756	-
	<u>3,404</u>	<u>781</u>

2.12 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Legal and professional	460	1,452
Other general expenses	41	38
	<u>501</u>	<u>1,490</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 2015 (previous year: Nil).

2.14: Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i. Rental income from holding company and other group companies:		
Dr. Reddy's Laboratories SA	1,320	5,178
ii. Income from holding company and other group companies:		
Dr. Reddy's Laboratories SA	41	-
iii. Sale of asset to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	38,536	-

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

Particulars	As at 31 March 2015	As at 31 March 2014
i. Due from holding company and other group companies (included in other current assets and loans and advances):		
Dr. Reddy's Laboratories SA	40,035	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: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

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 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	709	709
Reserves and surplus	2.2	1,383	(1,508)
		<u>2,092</u>	<u>(799)</u>
Current liabilities			
Trade payables	2.3	9,468	15,373
Other current liabilities	2.4	271	249
Short term provisions	2.5	17	21
		<u>9,756</u>	<u>15,643</u>
	TOTAL	<u>11,848</u>	<u>14,844</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	267	353
Intangible assets	2.6	8	8
Capital work-in-progress		9	9
Deferred tax assets, net	2.17	697	686
Long term loans and advances	2.7	235	135
		<u>1,216</u>	<u>1,191</u>
Current assets			
Inventories	2.8	8,936	8,990
Trade receivables	2.9	1,298	2,802
Cash and bank balances	2.10	198	1,798
Short term loans and advances	2.11	200	63
		<u>10,632</u>	<u>13,653</u>
	TOTAL	<u>11,848</u>	<u>14,844</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: 8 May 2015

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 2015	For the year ended 31 March 2014
Income			
Sales, net		10,995	18,501
Revenue from operations		10,995	18,501
Other income	2.12	157	207
Total revenue		11,152	18,708
Expenses			
Purchase of stock-in-trade (traded goods)		1,681	18,302
Changes in inventory of stock-in-trade	2.13	54	(2,648)
Employee benefits expense	2.14	703	746
Depreciation and amortization expense	2.6	64	93
Other expenses	2.15	5,881	3,582
Total expenses		8,383	20,075
Profit/(Loss) before tax		2,769	(1,367)
Tax expense			
Current tax		168	4
Deferred tax benefit		(290)	(689)
Profit/(Loss) for the year		2,891	(682)

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: 8 May 2015

Dr. Reddy's Laboratories, LLC Ukraine
Cash Flow Statement

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Profit/(Loss) before taxation	2,769	(1,367)
Adjustments:		
Depreciation and amortization expense	64	93
Foreign exchange (gain) / loss, net	2,547	2,154
Provision for inventory obsolescence	2,267	74
Provision for doubtful debts, net	806	-
Operating cash flows before working capital changes	8,453	954
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(840)	1,520
Inventories	(2,213)	(2,716)
Trade payables	(6,476)	2,741
Other assets and liabilities, net	(3)	(265)
Cash generated from / (used in) operations	(1,079)	2,234
Income taxes paid, net	(207)	(155)
Net cash from / (used in) operating activities	(1,286)	2,079
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(6)	(453)
Proceeds from sale of tangible and intangible assets	28	-
Net cash from / (used in) investing activities	22	(453)
Cash flows from / (used in) financing activities		
Net cash used in financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	(1,264)	1,626
Cash and cash equivalents at the beginning of the year	1,798	638
Effect of foreign exchange gain on cash and cash equivalents	(336)	(467)
Cash and cash equivalents at the end of the year	198	1,798
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	198	1,798
Other bank balances (refer note 2.10)	-	-
Cash and bank balances at the end of the year	198	1,798

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

M Raja Sarath Chandra

Director

Place: Hyderabad

Date: 8 May 2015

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

Assets acquired on finance leases and leasehold improvements are depreciated over the period of the lease agreement or the useful life whichever is shorter. Land is not depreciated.

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

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

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.

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, LLC Ukraine
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 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. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

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 (NRV). Cost of inventories comprises all cost of purchase, production or conversion costs and other costs incurred in bringing the inventories to their present location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. The cost of all categories of inventory is determined using weighted average cost method. 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.

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 and are not discounted to its present value.

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.

l) 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. The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. 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 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 2015	As at 31 March 2014
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 2015		As at 31 March 2014	
	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 2015	As at 31 March 2014
Deficit		
Balance at the beginning of the year	(1,508)	(826)
Add: Current year loss	2,891	(682)
	<u>1,383</u>	<u>(1,508)</u>

2.3 : Trade payables

	As at 31 March 2015	As at 31 March 2014
Payables to holding company and other group companies	8,482	15,267
Payables to others	986	106
	<u>9,468</u>	<u>15,373</u>

2.4 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Accrued expenses	252	219
Others	19	30
	<u>271</u>	<u>249</u>

2.5 : Short term provisions

	As at 31 March 2015	As at 31 March 2014
Provision for employee benefits	17	21
	<u>17</u>	<u>21</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 01.04.2014	Additions	Deletions	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Leasehold improvements	196	-	28	168	7	32	-	39	129	189
Office equipment	252	4	-	256	88	30	-	118	138	164
Total tangible assets (A)	448	4	28	424	95	62	-	157	267	353
Softwares	10	2	-	12	2	2	-	4	8	8
Total intangible assets (B)	10	2	-	12	2	2	-	4	8	8
Total (A+B)	458	6	28	436	97	64	-	161	275	361
Previous year	14	444	-	458	4	93	-	97	361	

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 2015	As at 31 March 2014
Unsecured		
Advance tax, net of provision for income taxes	228	120
Security deposits	7	15
	235	135
	235	135

**2.8 : Inventories
(Valued on weighted average basis)**

	As at 31 March 2015	As at 31 March 2014
Stock-in-trade	8,936	8,990
	8,936	8,990
	8,936	8,990

2.9 : Trade receivables

	As at 31 March 2015	As at 31 March 2014
Unsecured		
Debts outstanding for a period exceeding six months		
Considered doubtful	425	-
Other debts		
Considered good	1,298	2,802
	1,723	2,802
<i>Less</i> : Provision for doubtful debts	(425)	-
	1,298	2,802
	1,298	2,802

2.10 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Bank balances		
In current accounts	198	1,798
	198	1,798
	198	1,798

2.11 : Short term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Advances to material suppliers	32	16
Staff loans and advances	3	3
Prepaid expenses	6	6
Balances with Statutory Agencies	159	-
Other advances	-	38
	200	63
	200	63

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)

2.12 : Other income

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest income	5	7
Rental income	152	200
	<u>157</u>	<u>207</u>

2.13 : Changes in inventory of stock-in-trade

	For the year ended 31 March 2015	For the year ended 31 March 2014
<i>Opening</i>		
Stock-in-trade	8,990	6,342
<i>Closing</i>		
Stock-in-trade	8,936	8,990
<i>Net increase</i>	<u>54</u>	<u>(2,648)</u>

2.14 : Employee benefits expense

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	570	566
Contribution to provident and other funds	125	153
Staff welfare expenses	8	27
	<u>703</u>	<u>746</u>

2.15 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Foreign exchange loss, net	3,945	2,265
Other selling and general expenses	1,936	1,317
	<u>5,881</u>	<u>3,582</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 2015 (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 2015	31 March 2014
Deferred tax assets / (liabilities)		
Losses carry forward	292	650
Provisions	104	35
Fixed assets	3	2
Inventories	298	-
Deferred tax asset, net	697	686

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 2015	31 March 2014
i. Purchases / (goods returned) and services received from holding and other companies within the group:		
Dr. Reddy's Laboratories Limited	15	17,897
Dr. Reddy's Laboratories SA	884	(217)

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

Particulars	As at	As at
	31 March 2015	31 March 2014
i. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	7,981	15,267
Dr. Reddy's Laboratories SA	501	-

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: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

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 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital		-	-
Reserves and surplus	2.1	65,854	47,365
		<u>65,854</u>	<u>47,365</u>
Current liabilities			
Trade payables	2.2	3,558	1,019
Other current liabilities	2.3	2,483	2,497
		<u>6,041</u>	<u>3,516</u>
	TOTAL	<u>71,895</u>	<u>50,881</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.4	19,574	15,474
Intangible assets	2.4	1,478	2,038
Capital work-in-progress		526	1,595
Long term loans and advances	2.5	296	344
		<u>21,874</u>	<u>19,451</u>
Current assets			
Inventories	2.6	6,771	6,454
Trade receivables	2.7	41,584	23,616
Cash and bank balances	2.8	994	1,050
Short term loans and advances	2.9	465	310
Other current assets	2.10	207	-
		<u>50,021</u>	<u>31,430</u>
	TOTAL	<u>71,895</u>	<u>50,881</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
DirectorA Ramachandra Rao
Partner
Membership No. 9750**G.V. Prasad**
DirectorPlace: Hyderabad
Date: 8 May 2015

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 2015	For the year ended 31 March 2014
Income			
Sales, net		56,455	45,826
Other operating revenues		3	21
Total revenue		56,458	45,847
Expenses			
Cost of material consumed (including packing material consumed)		15,134	14,355
Changes in inventories of finished goods and work-in-progress	2.11	1,619	(1,275)
Employee benefits expense	2.12	14,759	14,399
Finance costs		-	4
Depreciation and amortization expense	2.4	2,357	2,018
Other expenses	2.13	6,496	9,181
Total expenses		40,365	38,682
Profit before tax		16,093	7,165
Tax expense	2.16	-	-
Profit for the year		16,093	7,165

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
DirectorA Ramachandra Rao
Partner
Membership No. 9750**G.V. Prasad**
Director

Place: Hyderabad

Date: 8 May 2015

Dr. Reddy's Laboratories Louisiana LLC

Cash Flow Statement

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows / (used in) from operating activities		
Profit before taxation	16,093	7,165
Adjustments:		
Depreciation and amortization expense	2,357	2,018
Allowance for sales returns	1	-
(Profit) / loss on sale of fixed assets, net	22	10
Provision for inventory obsolescence	1,799	1,718
Reversal of provision for doubtful advances, net	-	(15)
Operating cash flows before working capital changes	20,272	10,896
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(16,580)	(5,863)
Inventories	(1,837)	(2,377)
Trade payables	2,441	(1,269)
Other assets and liabilities, net	(469)	518
Cash generated from operations	3,827	1,905
Income taxes paid, net	-	-
Net cash from operating activities	3,827	1,905
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(3,930)	(2,220)
Proceeds from sale of tangible and intangible assets	5	2
Net cash used in investing activities	(3,925)	(2,218)
Cash flows from / (used in) financing activities		
Net cash from / (used in) financing activities	-	-
Net decrease in cash and cash equivalents	(98)	(312)
Cash and cash equivalents at the beginning of the year	1,050	1,232
Effect of foreign exchange gain on cash and cash equivalents	42	131
Cash and cash equivalents at the end of the year	994	1,050
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	994	1,050
Other bank balances	-	-
Cash and bank balances at the end of the year	994	1,050

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: 8 May 2015

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 accounting principles generally accepted in India (“Indian GAAP”). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

d) Tangible assets and depreciation

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.

Assets acquired on finance leases and leasehold improvements are depreciated over the period of the lease agreement or the useful life whichever is shorter. Land is not depreciated.

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.

Assets acquired on finance leases and leasehold improvements are depreciated over the period of the lease agreement or the useful life 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

Schedule II to the Companies Act, 2013 (“Schedule”) prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

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.

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 Louisiana LLC
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 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. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

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 (NRV). Cost of inventories comprises all cost of purchase, production or conversion costs and other costs incurred in bringing the inventories to their present location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. The cost of all categories of inventory is determined using weighted average cost method. 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.

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.

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.

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)

Revenue recognition (continued)

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. The estimate of sales returns is determined primarily by the Company's historical experience in the markets in which the Company operates.

Note 1: Significant accounting policies (continued)

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 and are not discounted to its present value.

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.

l) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

m) 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. The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. 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 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 2015	As at 31 March 2014
<i>Foreign currency translation reserve</i>		
Balance at the beginning of the year	8,127	4,314
Movement during the year	2,396	3,813
	<u>10,523</u>	<u>8,127</u>
<i>Securities premium reserve</i>		
Balance at the beginning of the year	16,204	16,204
Movement during the year	-	-
	<u>16,204</u>	<u>16,204</u>
<i>Surplus</i>		
Balance at the beginning of the year	23,034	15,869
Add: Current year profit	16,093	7,165
Balance carried forward	39,127	23,034
	<u>65,854</u>	<u>47,365</u>

2.2 : Trade payables

	As at 31 March 2015	As at 31 March 2014
Payables to holding company and other group companies	1,556	353
Payables to others	2,002	666
	<u>3,558</u>	<u>1,019</u>

2.3 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Due to capital creditors	324	266
Salary and bonus payable	1,208	1,174
Accrued expenses	666	487
Others	285	570
	<u>2,483</u>	<u>2,497</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 01.04.2014	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Land	503	-	-	22	525	-	-	-	-	-	525	503
Building	7,054	599	-	318	7,971	1,298	305	-	63	1,666	6,305	5,756
Plant and machinery	11,339	3,680	60	570	15,529	3,830	1,090	38	187	5,069	10,460	7,509
Electrical equipment	691	613	-	43	1,347	120	81	-	7	208	1,139	571
Laboratory equipment	748	129	-	35	912	102	98	-	7	207	705	646
Office equipment	315	21	-	14	350	164	64	-	9	237	112	151
Furniture and fixtures	653	64	13	29	733	316	83	8	15	406	328	337
Vehicles	2	-	-	-	2	1	1	-	-	2	-	1
Total tangible assets (A)	21,305	5,106	73	1,031	27,369	5,831	1,722	46	288	7,795	19,574	15,474
Customer contract	4,793	-	-	207	5,000	4,464	136	-	191	4,791	209	329
Goodwill	2,266	-	-	98	2,364	1,336	231	-	63	1,630	734	930
Patents and trademarks	299	-	-	13	312	299	-	-	13	312	-	-
Other intangibles	2,226	-	-	96	2,322	1,447	268	-	72	1,787	535	779
Total intangible assets (B)	9,584	-	-	414	9,998	7,546	635	-	339	8,520	1,478	2,038
Total (A+B)	30,889	5,106	73	1,445	37,367	13,377	2,357	46	627	16,315	21,052	17,512
Previous year	24,921	3,455	28	2,541	30,889	10,324	2,018	16	1,051	13,377	17,512	

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

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Capital advances for purchase of fixed assets	296	344
	<u>296</u>	<u>344</u>

**2.6 : Inventories
(Valued on weighted average basis)**

	As at 31 March 2015	As at 31 March 2014
Raw materials	3,561	1,956
Work-in-progress	766	2,067
Finished goods	901	1,219
Stores and spares	1,050	877
Packing materials	493	335
	<u>6,771</u>	<u>6,454</u>

2.7 : Trade receivables

	As at 31 March 2015	As at 31 March 2014
Unsecured		
Debts outstanding for a period exceeding six months		
<i>Considered good</i>	-	12,908
Other debts		
<i>Considered good</i>	41,584	10,708
	<u>41,584</u>	<u>23,616</u>

2.8 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Bank balances		
In current accounts	994	1,050
	<u>994</u>	<u>1,050</u>

2.9 : Short term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Advances to material suppliers	237	66
Staff loans and advances	4	-
Prepaid expenses	219	113
Other advances	5	131
	<u>465</u>	<u>310</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 2015	As at 31 March 2014
<i>Considered good</i>		
Other receivables from holding company to other group companies	207	-
	207	-

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
<i>Opening</i>		
Work-in-process	2,067	1,103
Finished goods	1,219	908
	3,286	2,011
<i>Closing</i>		
Work-in-process	766	2,067
Finished goods	901	1,219
	1,667	3,286
<i>Net (increase) / decrease</i>	1,619	(1,275)

2.12 : Employee benefits expense

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	13,939	13,352
Contribution to provident and other funds	360	319
Staff welfare expenses	460	728
	14,759	14,399

2.13 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Consumption of stores and spare parts	723	1,988
Legal and professional	1,164	1,972
Rates and taxes	681	669
Selling expenses	5	14
Repairs and maintenance		
Plant and machinery	1,118	1,475
Buildings	2	-
Others	1,361	1,641
Power and fuel	821	712
Rent	18	87
Insurance	217	216
Provision for doubtful debts and advances	-	(15)
Loss on sale of fixed assets, net	22	10
Other general expenses	364	412
	6,496	9,181

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 2015 ₹ 573 (previous year: ₹ 1,214).

2.15: Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i. Sales and services rendered to holding company and other group companies:		
Dr. Reddy's Laboratories Inc.	13,630	12,590
Dr. Reddy's Laboratories Limited	27	-
ii. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	2,277	968

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

Particulars	As at 31 March 2015	As at 31 March 2014
i. Due from holding company and other group companies (included in other current assets):		
Dr. Reddy's Laboratories Inc.	3	-
Dr. Reddy's Laboratories Tennessee, LLC	188	-
Promius Pharma LLC	16	-
ii. Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's Laboratories Inc.	36,656	19,602
Dr. Reddy's Laboratories Limited	18	-
iii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	1,556	353

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.

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)

2.17: 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: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

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 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	285	130
Reserves and surplus	2.2	754,909	6,176
		<u>755,193</u>	<u>6,306</u>
Share Application money pending allotment		-	1,336,884
Current liabilities			
Trade payables	2.3	2,901	46,757
Other current liabilities	2.4	608,409	133,025
Short term provisions	2.5	110	106
		<u>611,420</u>	<u>179,888</u>
	TOTAL	<u>1,366,613</u>	<u>1,523,078</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	1,090,982	1,262,639
Intangible assets	2.6	97,656	108,596
Capital work-in-progress		76,881	35,821
Long term loans and advances	2.7	9,084	1,724
		<u>1,274,603</u>	<u>1,408,781</u>
Current assets			
Cash and bank balances	2.8	39,486	28,762
Short term loans and advances	2.9	52,524	85,535
		<u>92,010</u>	<u>114,297</u>
	TOTAL	<u>1,366,613</u>	<u>1,523,078</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: 8 May 2015

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 2015	For the year ended 31 March 2014
Income			
Other operating revenues		2,825	1,017
Revenue from operations		2,825	1,017
Other income	2.10	391	123
Total revenue		3,216	1,140
Expenses			
Cost of material consumed (including packing material consumed)		-	90,168
Changes in inventories of finished goods and work in progress	2.11	-	118,194
Employee benefits expense	2.12	199,025	157,987
Finance costs	2.13	42	3
Depreciation and amortization expense	2.6	236,494	57,061
Other expenses	2.14	371,121	388,933
Total expenses		806,682	812,346
Loss before tax		(803,466)	(811,206)
Tax expense			
Current tax		-	-
Deferred tax		-	-
Loss for the year		(803,466)	(811,206)
Earnings per share			
Basic - Par value USD 0.10 per share		(29,548.11)	(32,448.24)
Diluted - Par value USD 0.10 per share		(29,548.11)	(32,448.24)
Number of shares used in computing earnings per share			
Basic		27,192	25,000
Diluted		27,192	25,000

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: 8 May 2015

for and on behalf of the Board of Directors

G.V. Prasad

Director

Satish Reddy

Director

Dr. Reddy's Laboratories New York, Inc.

Cash Flow Statement

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Loss before taxation	(803,466)	(811,206)
Adjustments:		
Depreciation and amortization expense	236,494	57,061
Interest income	(293)	(42)
Finance costs	42	3
Provision for doubtful advances, net	919	1,312
Operating cash flows before working capital changes	(566,304)	(752,872)
<i>Changes in operating assets and liabilities</i>		
Inventories	-	214,895
Trade payables	(44,875)	30,316
Other assets and liabilities, net	497,834	(629,288)
Cash generated used in operations	(113,345)	(1,136,950)
Income taxes paid, net	(1,565)	(494)
Net cash used in operating activities	(114,910)	(1,137,444)
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(44,681)	(203,571)
Interest received	293	42
Net cash used in investing activities	(44,388)	(203,529)
Cash flows from / (used in) financing activities		
Proceeds from issuance of share capital	168,616	1,336,884
Interest paid	(42)	(3)
Net cash from financing activities	168,574	1,336,881
Net increase / (decrease) in cash and cash equivalents	9,276	(4,092)
Cash and cash equivalents at the beginning of the year	28,762	29,733
Effect of foreign exchange gain on cash and cash equivalents	1,447	3,121
Cash and cash equivalents at the end of the year	39,486	28,762
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	39,486	28,762
Other bank balances	-	-
Cash and bank balances at the end of the year	39,486	28,762

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: 8 May 2015

for and on behalf of the Board of Directors

G.V. Prasad

Director

Satish Reddy

Director

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

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

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

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.

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 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. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

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 (NRV). Cost of inventories comprises all cost of purchase, production or conversion costs and other costs incurred in bringing the inventories to their present location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. The cost of all categories of inventory is determined using weighted average cost method. 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.

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:

- 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 and are not discounted to its present value.

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.

l) 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. The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. 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.

m) Leases

At the inception of the lease, a lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the 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.

n) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

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 2015	As at 31 March 2014
Authorised		
75,000 (previous year : 30,000) shares of USD 0.10 each	<u>156</u>	<u>156</u>
Issued		
50,000 (previous year : 25,000) shares of USD 0.10 each	<u>285</u>	<u>130</u>
Subscribed and paid-up		
50,000 (previous year : 25,000) shares of USD 0.10 each	<u>285</u>	<u>130</u>
	<u>285</u>	<u>130</u>

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

Particulars	As at 31 March 2015		As at 31 March 2014	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	25,000	130	25,000	130
Shares issued during the year	25,000	155	-	-
Number of shares outstanding at the end of the year	50,000	285	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 2015		As at 31 March 2014	
	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	10	5,000	20
Dr Reddy's Laboratories SA	45,000	90	20,000	80

2.2 : Reserves and surplus

	As at 31 March 2015	As at 31 March 2014
Foreign currency translation reserve		
Balance at the beginning of the year	129,529	38,421
Movement during the year	<u>46,853</u>	<u>91,109</u>
	<u>176,382</u>	<u>129,529</u>
Securities premium reserve		
Balance at the beginning of the year	1,303,470	1,303,470
Movement during the year	<u>1,505,345</u>	<u>-</u>
	<u>2,808,815</u>	<u>1,303,470</u>
Deficit		
Balance at the beginning of the year	(1,426,823)	(615,617)
Add: Current year loss	<u>(803,466)</u>	<u>(811,206)</u>
Balance carried forward	<u>(2,230,289)</u>	<u>(1,426,823)</u>
	<u>754,909</u>	<u>6,176</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 2015	As at 31 March 2014
Trade payable	2,901	46,757
	<u>2,901</u>	<u>46,757</u>

2.4 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Due to capital creditors	9,318	7,204
Due to holding company and other group companies	483,298	12,721
Salary and bonus payable	21,112	11,233
Accrued expenses	66,729	58,925
Others	27,952	42,942
	<u>608,409</u>	<u>133,025</u>

2.5 : Short term provisions

	As at 31 March 2015	As at 31 March 2014
Provision for employee benefits	110	106
	<u>110</u>	<u>106</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)

2.6 : Fixed assets

Description	Gross Block					Depreciation / Amortization					Net Block	
	As at 01.04.2014	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Building	484,002	-	-	20,882	504,884	20,618	28,858	-	1,534	51,010	453,874	463,384
Plant and machinery	833,470	-	-	36,055	869,525	53,370	188,053	-	6,584	248,007	621,518	780,100
Electrical equipment	18,987	-	-	819	19,806	614	3,875	-	113	4,602	15,204	18,373
Furniture and fixtures	755	-	-	33	788	466	140	-	23	629	159	289
Office equipments	1,104	-	-	48	1,152	611	283	-	31	925	227	493
Total tangible assets (A)	1,338,318	-	-	57,837	1,396,155	75,679	221,209	-	8,285	305,173	1,090,982	1,262,639
Intangibles	149,788	-	-	6,463	156,251	41,192	15,285	-	2,118	58,595	97,656	108,596
Total intangible assets (B)	149,788	-	-	6,463	156,251	41,192	15,285	-	2,118	58,595	97,656	108,596
Total (A+B)	1,488,106	-	-	64,300	1,552,406	116,871	236,494	-	10,403	363,767	1,188,639	1,371,236
Previous year	276,938	1,197,903	-	13,265	1,488,106	54,648	57,061	-	5,162	116,871	1,371,236	

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 2015	As at 31 March 2014
<i>Considered good</i>		
Capital advances for purchase of fixed assets	6,389	654
Advance tax, net of provision for income taxes	2,135	541
Security deposits	560	529
	<u>9,084</u>	<u>1,724</u>

2.8 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Cash on hand	200	-
Bank balances		
In current accounts	39,286	28,762
	<u>39,486</u>	<u>28,762</u>

2.9 : Short term loans and advances

Unsecured	As at 31 March 2015	As at 31 March 2014
<i>Considered good</i>		
Advances to material suppliers	9,444	48,662
Prepaid expenses	5,539	2,731
Other advances	37,541	34,142
<i>Considered doubtful</i>		
Other advances recoverable in cash or in kind or for value to be received	2,246	1,260
	54,770	86,795
<i>Less : Provision for doubtful loans and advances</i>	(2,246)	(1,260)
	<u>52,524</u>	<u>85,535</u>

2.10 : Other income

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest income	293	42
Foreign exchange gain, net	98	81
	<u>391</u>	<u>123</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)**2.11 : Changes in inventories of finished goods and work in progress**

	For the year ended 31 March 2015	For the year ended 31 March 2014
<i>Opening</i>		
Work-in-process	<u>-</u>	<u>118,194</u>
	-	118,194
<i>Closing</i>		
Work-in-process	<u>-</u>	<u>-</u>
	-	-
<i>Net (increase) / decrease in stock</i>	<u><u>-</u></u>	<u><u>118,194</u></u>

2.12 : Employee benefits expense

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	118,678	127,527
Contribution to provident and other funds	33,259	15,163
Staff welfare expenses	<u>47,088</u>	<u>15,297</u>
	<u><u>199,025</u></u>	<u><u>157,987</u></u>

2.13 : Finance costs

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest expenses	<u>42</u>	<u>3</u>
	<u><u>42</u></u>	<u><u>3</u></u>

2.14 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Consumption of stores, spares and other materials	91,001	109,475
Other research and development expenses	241,637	-
Legal, professional and other expenses	<u>38,483</u>	<u>279,458</u>
	<u><u>371,121</u></u>	<u><u>388,933</u></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)

2.15: 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 2015 ₹ 8,013 (previous year: ₹ 14,613).

2.16 : Related party disclosures

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

Particulars	As at	As at
	31 March 2015	31 March 2014
i. Due to holding company and other group companies (included in other current liabilities):		
Dr. Reddy's Laboratories Inc.	483,298	12,658
Promious Pharma LLC	-	63

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 the USA, is a 90% subsidiary of Dr. Reddy's Laboratories SA and the balance 10% 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**

G.V. Prasad

Director

A Ramachandra Rao

Partner

Membership No. 9750

Satish Reddy

Director

Place: Hyderabad

Date: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

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 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	23,743	23,743
Reserves and surplus	2.2	87,271	79,848
		111,014	103,591
Current liabilities			
Other current liabilities	2.3	10,029	39,593
Short term provisions	2.4	3,912	3,013
		13,941	42,606
	TOTAL	124,955	146,197
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	1,738	1,232
Deferred tax assets, net	2.15	2,217	2,824
Long term loans and advances	2.6	1,592	2,032
		5,547	6,088
Current assets			
Trade receivables	2.7	50,206	27,601
Cash and bank balances	2.8	40,269	70,985
Short term loans and advances	2.9	28,933	41,523
		119,408	140,109
	TOTAL	124,955	146,197

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: 8 May 2015

for and on behalf of the Board of Directors

M V Ramana

Director

Abhijit Mukherjee

Director

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 2015	For the year ended 31 March 2014
Income			
Service Income		384,546	404,348
Other operating revenues		57	25
Revenue from operations		384,603	404,373
Other income	2.10	1,774	13,377
Total revenue		386,377	417,750
Expenses			
Cost of material consumed		-	60
Employee benefits expense	2.11	159,169	163,434
Depreciation expense	2.5	2,783	7,015
Other expenses	2.12	206,507	203,340
Total expenses		368,459	373,849
Profit before tax		17,918	43,901
Tax expense			
Current tax		10,401	10,734
Deferred tax benefit		94	(1,463)
Profit for the year		7,423	34,630
Earnings per share			
Basic - Par value RON 10 per share		43.66	203.71
Diluted - Par value RON 10 per share		43.66	203.71
Number of shares used in computing earnings per share			
Basic		170,000	170,000
Diluted		170,000	170,000

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

for and on behalf of the Board of Directors

M V Ramana

Director

A Ramachandra Rao

Partner

Membership No. 9750

Abhijit Mukherjee

Director

Place: Hyderabad

Date: 8 May 2015

Dr. Reddy's Laboratories Romania SRL

Cash Flow Statement

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Profit before taxation	17,918	43,901
Adjustments:		
Depreciation and amortization expense	2,783	7,015
Effect of foreign exchange gain/(loss)	21,892	(11,514)
Interest income	(355)	(595)
(Profit) / loss on sale of fixed assets, net	(1,419)	(815)
Operating cash flows before working capital changes	40,819	37,992
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(31,609)	1,822
Inventories	-	7
Other assets and liabilities, net	(19,184)	24,216
Cash generated from / (used in) operations	(9,973)	64,037
Income taxes paid, net	(9,502)	(8,923)
Net cash from / (used in) operating activities	(19,475)	55,114
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(3,086)	(4,919)
Proceeds from sale of tangible and intangible assets	1,419	1,733
Interest received	355	595
Net cash used in investing activities	(1,312)	(2,591)
Cash flows from / (used in) financing activities		
Net cash from / (used in) financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	(20,787)	52,524
Cash and cash equivalents at the beginning of the year	70,985	15,027
Effect of foreign exchange gain on cash and cash equivalents	(9,929)	3,434
Cash and cash equivalents at the end of the year	40,269	70,985
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	40,269	70,985
Cash and bank balances at the end of the year	40,269	70,985

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 V Ramana

Director

A Ramachandra Rao

Partner

Membership No. 9750

Abhijit Mukherjee

Director

Place: Hyderabad

Date: 8 May 2015

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

Assets acquired on finance leases and leasehold improvements are depreciated over the period of the lease agreement or the useful life whichever is shorter. Land is not depreciated.

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

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

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.

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 Romania SRL
Significant accounting policies

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

Note 1: Significant accounting policies (continued)

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 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 and are not discounted to its present value.

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.

i) 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. The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. 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.

j) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

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 2015	As at 31 March 2014
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 2015		As at 31 March 2014	
	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 2015		As at 31 March 2014	
	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 2015	As at 31 March 2014
Surplus		
Balance at the beginning of the year	79,848	45,218
Add: Current year profit	7,423	34,630
Balance carried forward	<u>87,271</u>	<u>79,848</u>

2.3 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Due to holding company and other group companies	-	26,297
Accrued expenses	4,178	5,558
Salary and bonus payable	21	245
Due to statutory authorities	1,375	3,450
Others	4,455	4,043
	<u>10,029</u>	<u>39,593</u>

2.4 : Short term provisions

	As at 31 March 2015	As at 31 March 2014
Income tax payable	<u>3,912</u>	<u>3,013</u>
	<u>3,912</u>	<u>3,013</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 01.04.2014	Additions	Deletions	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Lease hold improvements	1,154	-	-	1,154	917	237	-	1,154	-	238
Vehicles	14,304	2,772	4,072	13,004	14,118	1,290	4,072	11,336	1,669	187
Furniture and fixtures & Office equipment	5,184	518	58	5,644	4,376	1,256	58	5,574	70	808
Total	20,642	3,290	4,130	19,802	19,410	2,783	4,130	18,063	1,738	1,232
Previous year	23,510	4,219	7,087	20,642	18,565	7,015	6,169	19,410	1,232	

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

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Capital Advances for purchase of fixed assets	495	698
Security deposits	1,097	1,334
	<u>1,592</u>	<u>2,032</u>

2.7 : Trade receivables

	As at 31 March 2015	As at 31 March 2014
Unsecured		
Debts outstanding for a period exceeding six months	-	-
Other debts		
<i>Considered good</i>	50,206	27,601
	<u>50,206</u>	<u>27,601</u>

2.8 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Bank balances		
In current accounts	40,269	70,985
	<u>40,269</u>	<u>70,985</u>

2.9 : Short term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Balances with statutory agencies	26,262	37,336
Prepaid expenses	481	3,160
Advances to material suppliers	189	552
Staff loans and advances	2,001	475
	<u>28,933</u>	<u>41,523</u>

2.10 : Other income

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest income	355	595
Profit on sale of fixed assets, net	1,419	815
Foreign exchange gain, net	-	11,967
	<u>1,774</u>	<u>13,377</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)**2.11 : Employee benefits expense**

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	154,579	158,142
Staff welfare expenses	4,590	5,292
	<u>159,169</u>	<u>163,434</u>

2.12 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Legal and professional	4,153	4,702
Selling expenses	96,750	121,865
Travelling and conveyance	10,725	11,411
Communication	5,018	5,727
Rent	31,793	29,122
Insurance	2,281	2,390
Foreign exchange loss, net	19,189	-
Auditors' remuneration	543	468
Advertisements	9,851	1,116
Other general expenses	26,204	26,539
	<u>206,507</u>	<u>203,340</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)**2.13 : Commitments and contingent liabilities**

There were no commitments or contingent liabilities as at 31 March 2015 (previous year: Nil).

2.14 : Deferred taxation

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

Particulars	As at	
	31 March 2015	31 March 2014
Deferred tax assets / (liabilities)		
Current liabilities	2,217	2,824
Deferred tax asset, net	2,217	2,824

2.15 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended	
	31 March 2015	31 March 2014
i. Service income from holding company and other group companies:		
Dr.Reddy's Laboratories SA	384,546	404,348

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

Particulars	As at	
	31 March 2015	31 March 2014
i. Due from related parties (included in trade receivables):		
Dr.Reddy's Laboratories SA	50,095	27,467
ii. Due to related parties (included in other current liabilities):		
Dr. Reddy's Laboratories Limited	-	26,297

2.16 : Comparative figures

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

2.17 : 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****M V Ramana**

Director

A Ramachandra Rao

Partner

Membership No. 9750

Abhijit Mukherjee

Director

Place: Hyderabad

Date: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

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 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	50,275	50,275
Reserves and surplus	2.2	313,135	331,082
		<u>363,410</u>	<u>381,357</u>
Non current liabilities			
Long term borrowings	2.3	34,560	98,081
Deferred tax liabilities, net	2.22	1,138	-
Other long term liabilities	2.4	78	-
		<u>35,776</u>	<u>98,081</u>
Current liabilities			
Short term borrowings	2.3	-	29,767
Trade payables	2.5	29,439	26,600
Other current liabilities	2.6	85,047	48,066
Short term provisions	2.7	2,481	2,516
		<u>116,967</u>	<u>106,949</u>
		<u>116,967</u>	<u>106,949</u>
	TOTAL	<u>516,153</u>	<u>586,387</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.8	47	116
Intangible assets	2.8	49,161	847
Capital work-in-progress		-	7
Non current investments	2.9	236,617	232,391
Deferred tax assets, net	2.22	-	394
Long term loans and advances	2.10	120,837	276,472
		<u>406,662</u>	<u>510,227</u>
Current assets			
Inventories	2.11	1,033	613
Trade receivables	2.12	65,711	37,812
Cash and bank balances	2.13	32,475	34,934
Short term loans and advances	2.14	4,232	2,692
Other current assets	2.15	6,040	109
		<u>109,491</u>	<u>76,160</u>
		<u>109,491</u>	<u>76,160</u>
	TOTAL	<u>516,153</u>	<u>586,387</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: 8 May 2015

for and on behalf of the Board of Directors

Satish Reddy

Director

Saumen Chakraborty

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 2015	For the year ended 31 March 2014
Income			
Sales, net		131,781	148,394
Service income		122	64
Other operating revenues		25	-
Revenue from operations		131,928	148,458
Other income	2.16	6,484	21,431
Total revenue		138,412	169,889
Expenses			
Purchase of stock-in-trade (traded goods)		88,810	73,294
Changes in inventories of stock-in-trade	2.17	(420)	377
Employee benefits expense	2.18	3,768	4,330
Finance costs	2.19	2,412	3,602
Depreciation and amortization expense	2.8	2,151	357
Other expenses	2.20	33,828	36,290
Total expenses		130,549	118,250
Profit before tax		7,863	51,639
Tax expense			
Current tax		241	2,591
Deferred tax expense		1,499	8
Profit for the year		6,123	49,040
Earnings per share			
Basic - Par value CHF 1 per share		5.80	59.17
Diluted - Par value CHF 1 per share		5.80	59.17
Number of shares used in computing earnings per share			
Basic		105,640,410	82,873,287
Diluted		105,640,410	82,873,287

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: 8 May 2015

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

Director

Saumen Chakraborty

Director

Dr. Reddy's Laboratories SA
Cash Flow Statement

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Profit before taxation	7,863	51,639
Adjustments:		
Depreciation and amortization expense	2,151	357
Foreign exchange (gain) / loss, net	8,200	(25,013)
Allowance for sales returns	1,010	-
Impairment / loss on de-recognition of intangible assets	590	-
Interest income	(4,984)	(5,724)
Finance costs	2,412	3,602
Provision for inventory obsolescence	370	130
Provision / (Reversal of provision) for doubtful debts, net	1,467	(26)
Provision for doubtful advances, net	-	845
Operating cash flows before working capital changes	19,079	25,811
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(32,519)	95,172
Inventories	(790)	247
Trade payables	3,894	6,310
Other assets and liabilities, net	(3,655)	653
Cash generated from / (used in) operations	(13,990)	128,193
Income taxes paid, net	(2,049)	(6,738)
Net cash from / (used in) operating activities	(16,040)	121,454
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(50,987)	(88)
Proceeds from sale of tangible and intangible assets	-	71
(Increase) / decrease in deposit accounts (having original maturity of more than 3 months) and other bank balances	(1,987)	39,604
Investment in subsidiaries and joint ventures	(4,226)	(173,881)
Loans and advances repaid by / (given to) holding company and other group companies	124,246	(128,261)
Interest received	4,969	6,200
Net cash from / (used in) investing activities	72,015	(256,355)
Cash flows from / (used in) financing activities		
Proceeds from issuance of share capital	-	106,521
Repayment of long term borrowings, net	(34,098)	(749)
Proceeds from / (repayment of) from short term borrowings, net	(25,292)	30,830
Interest paid	(1,892)	(3,046)
Net cash from / (used in) financing activities	(61,282)	133,556
Net decrease in cash and cash equivalents	(5,307)	(1,345)
Cash and cash equivalents at the beginning of the year	10,968	9,367
Effect of foreign exchange gain on cash and cash equivalents	(1,311)	2,946
Cash and cash equivalents at the end of the year	4,350	10,968
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	4,350	10,968
Other bank balances	28,125	23,966
Cash and bank balances at the end of the year	32,475	34,934

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

Saumen Chakraborty
Director

Place: Hyderabad
Date: 8 May 2015

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

Assets acquired on finance leases and leasehold improvements are depreciated over the period of the lease agreement or the useful life whichever is shorter. Land is not depreciated.

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

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.

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.

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's 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. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

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.

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)

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.

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 individual investment.

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 (NRV). Cost of inventories comprises all cost of purchase, production or conversion costs and other costs incurred in bringing the inventories to their present location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. The cost of all categories of inventory is determined using weighted average cost method. 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.

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.

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.

Dr. Reddy's Laboratories SA
Significant accounting policies

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

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.

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.

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 SA
Significant accounting policies

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

Note 1: Significant accounting policies (continued)

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, 2013 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.

o) Leases

At the inception of the lease, a lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the 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.

p) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

q) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, "short-term" means investments having maturity of three months or less from the date of investment.

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 2015	As at 31 March 2014
Authorised		
105,640,410 (previous year : 105,640,410) shares of CHF 1 each	<u>50,275</u>	<u>50,275</u>
Issued		
105,640,410 (previous year : 105,640,410) shares of CHF 1 each	<u>50,275</u>	<u>50,275</u>
Subscribed and paid-up		
105,640,410 (previous year : 105,640,410) shares of CHF 1 each	<u>50,275</u>	<u>50,275</u>
	<u>50,275</u>	<u>50,275</u>

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

Particulars	As at 31 March 2015		As at 31 March 2014	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	105,640,410	50,275	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	105,640,410	50,275

(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 2015		As at 31 March 2014	
	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	105,640,410	100

2.2 : Reserves and surplus

	As at 31 March 2015	As at 31 March 2014
Share premium account		
Balance at the beginning of the year	85,758	-
Movement during the year	<u>-</u>	<u>85,758</u>
	<u>85,758</u>	<u>85,758</u>
Foreign currency translation reserve		
Balance at the beginning of the year	33,014	10,753
Movement during the year	<u>(24,551)</u>	<u>22,261</u>
	<u>8,463</u>	<u>33,014</u>
Hedging Reserve		
Balance at the beginning of the year	(26,715)	(13,169)
Movement during the year	<u>481</u>	<u>(13,546)</u>
	<u>(26,234)</u>	<u>(26,715)</u>
Surplus		
Balance at the beginning of the year	239,025	189,985
Add: Current year profit	<u>6,123</u>	<u>49,040</u>
Balance carried forward	<u>245,148</u>	<u>239,025</u>
	<u>313,135</u>	<u>331,082</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 2015	As at 31 March 2014
Borrowings from holding company and other group companies	386	-
Long term loans from Bank	34,174	98,081
	<u>34,560</u>	<u>98,081</u>

(B) Short term borrowings

	As at 31 March 2015	As at 31 March 2014
Short term loans	-	29,767
	<u>-</u>	<u>29,767</u>

2.4 : Other long term liabilities

	As at 31 March 2015	As at 31 March 2014
Deferred revenue	78	-
	<u>78</u>	<u>-</u>

2.5 : Trade payables

	As at 31 March 2015	As at 31 March 2014
Payables to holding company and other group companies	26,535	25,907
Payables to others	2,904	693
	<u>29,439</u>	<u>26,600</u>

2.6 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Current portion of long term borrowings	68,750	32,953
Derivative financial instrument liability	5,303	1,902
Due to capital creditors	-	7
Due to holding company and other group companies	1,804	4,335
Interest accrued but not due on loans	7	34
Accrued expenses	8,095	7,566
Salary and bonus payable	418	389
Due to statutory authorities	119	89
Others	551	791
	<u>85,047</u>	<u>48,066</u>

2.7 : Short term provisions

	As at 31 March 2015	As at 31 March 2014
Allowance for sales returns	718	-
Income tax payable	1,763	2,516
	<u>2,481</u>	<u>2,516</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)

2.8 : Fixed assets

Description	Gross Block				Depreciation/Impairment				Net Block		
	As at 01.04.2014	Additions	Deletions	As at 31.03.2015	As at 01.04.2014	For the year	Impairment	Deletions	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Leasehold improvements	185	-	-	185	95	67	-	-	162	22	90
Office equipments	54	21	-	75	28	22	-	-	50	25	26
Total tangible assets (A)	239	21	-	260	123	89	-	-	213	47	116
Intangibles	1,177	50,966	-	52,143	330	2,062	590	-	2,982	49,161	847
Total intangible assets (B)	1,177	50,966	-	52,143	330	2,062	590	-	2,982	49,161	847
Total (A+B)	1,416	50,987	-	52,403	453	2,151	590	-	3,195	49,208	963
Previous year	1,457	30	71	1,416	96	357	-	-	453	963	

(a) Additions to intangibles during the year ended 31 March 2015 includes ₹ 5,097 towards the acquisition from Novartis Consumer Health Inc. of the title and rights to its Habitrol® brand.

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)

2.9 : Non current investments

Non current investments at cost	As at 31 March 2015	As at 31 March 2014
<i>In Subsidiary Companies</i>		
Dr. Reddy's Laboratories (Australia) Pty. Limited	3,739	3,739
Dr. Reddy's Laboratories (Canada) Inc.	582	582
Dr. Reddy's Laboratories (EU) Limited	7,176	7,176
Dr. Reddy's Laboratories (Proprietary) Limited	10,618	10,618
Dr. Reddy's Laboratories Inc.	117,840	117,840
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.	25,838	24,152
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	249
Dr. Reddy's Venezuela, C.A.	495	495
Lacock Holdings Limited	2,255	2,255
OOO Dr. Reddy's Laboratories Limited	21,877	21,877
Reddy Holding GmbH	23	23
Reddy Netherlands B.V.	42,577	40,093
Dr. Reddy's Laboratories SAS	56	-
Less: Provision for decline, other than temporary, in the value of non current investments	(1,449)	(1,449)
	<u><u>236,617</u></u>	<u><u>232,391</u></u>

2.10 : Long term loans and advances

Unsecured	As at 31 March 2015	As at 31 March 2014
<i>Considered good</i>		
Loan to holding company and other group companies	120,791	276,423
Security deposits	46	49
	<u><u>120,837</u></u>	<u><u>276,472</u></u>

2.11 : Inventories

(Valued on weighted average basis)

	As at 31 March 2015	As at 31 March 2014
Stock-in-trade	1,033	613
	<u><u>1,033</u></u>	<u><u>613</u></u>

2.12 : Trade receivables

Unsecured	As at 31 March 2015	As at 31 March 2014
Debts outstanding for a period exceeding six months		
Considered good	180	3,125
Considered doubtful	1,475	112
Other debts		
Considered good	65,531	34,687
	67,186	37,924
Less : Provision for doubtful debts	(1,475)	(112)
	<u><u>65,711</u></u>	<u><u>37,812</u></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)

2.13 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Bank balances		
In current accounts	1,850	4,977
In term deposit accounts (original maturity less than 3 months)	2,500	5,991
Cash and cash equivalents (A)	4,350	10,968
In term deposit accounts (original maturity more than 3 months)	28,125	23,966
Other bank balances (B)	28,125	23,966
Total cash and bank balances (A+B)	32,475	34,934

2.14 : Short term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Advances to material suppliers	3,798	2,343
Staff loans and advances	32	7
Balances with statutory agencies	8	12
Prepaid expenses	394	330
	4,232	2,692

2.15 : Other current assets

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Interest accrued but not due	124	109
Derivative financial instrument asset	5,911	-
Other receivables from holding company and other group companies	5	-
	6,040	109

2.16 : Other income

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest income	4,984	5,724
Foreign exchange gain, net	1,500	15,672
Miscellaneous	-	35
	6,484	21,431

2.17 : Changes in inventories of stock in trade

	For the year ended 31 March 2015	For the year ended 31 March 2014
<i>Opening</i>		
Stock-in-trade	613	990
<i>Closing</i>		
Stock-in-trade	1,033	613
<i>Net decrease</i>	(420)	377

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)

2.18 : Employee benefits expense

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	3,631	4,198
Staff welfare expenses	137	132
	<u>3,768</u>	<u>4,330</u>

2.19 : Finance costs

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest expenses	2,412	3,602
	<u>2,412</u>	<u>3,602</u>

2.20 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Consumption of stores and spare parts and other materials	10,872	4,182
Legal and professional	2,277	1,132
Other research and development expenses	9,533	7,158
Conversion charges	-	10,968
Carriage outward	189	13
Selling expenses	4,031	4,272
Travelling and conveyance	329	522
Rates and taxes	349	1,047
Communication	74	77
Provision on advances and receivables	1,357	728
Rent	91	98
Insurance	4	66
Bad debts	110	91
Advertisements	253	-
Impairment of assets	590	-
Other general expenses	3,769	5,936
	<u>33,828</u>	<u>36,290</u>

2.21 : Commitments and contingent liabilities

Guarantees issued by the company on behalf of other group companies is ₹ 7,398.

Further, there were no commitments or contingent liabilities as at 31 March 2015 (previous year: Nil).

2.22 : Deferred taxation

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

Particulars	As at 31 March 2015	As at 31 March 2014
Deferred tax assets / (liabilities)		
Current liabilities	224	178
Fixed assets	141	216
Trade receivables	(1,503)	-
Deferred Tax Asset / (Liability), net	<u>(1,138)</u>	<u>394</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)

2.23: Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i. Interest income from holding company and other group companies:		
Reddy Holdings GmbH	2,246	183
Dr. Reddy's Laboratories (EU) Limited	-	98
Lacock Holdings Limited	1,089	3,843
Dr. Reddy's Laboratories (Australia) Pty. Limited	317	198
Industrias Quimicas Falcon de Mexico, S.A.	-	398
Dr. Reddy's Laboratories (Canada) Inc.	5	-
Dr. Reddy's Venezuela, C.A.	18	-
OctoPlus Development B.V.	12	-
ii. Purchases and services from holding company and other group companies:		
Chirotech Technology Limited	418	194
Industrias Quimicas Falcon de Mexico, S.A.	23,536	20,935
Dr. Reddy's Laboratories (EU) Limited	645	649
Dr. Reddy's Laboratories Romania SRL	3,846	4,043
Dr. Reddy's Laboratories (UK) Limited	28	126
Dr. Reddy's Laboratories Inc.	2,833	203
Dr. Reddy's Laboratories Limited	48,914	56,097
OctoPlus B.V.	118	-
Dr. Reddy's Singapore PTE. LTD.	481	-
iii. Rent paid to holding company and other group companies:		
Dr. Reddy's Laboratories International SA	13	52
iv. Sales / (sales return) and services to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	-	311
OOO Dr. Reddy's Laboratories Limited	6,691	9,674
Industrias Quimicas Falcon de Mexico, S.A.	81	98
Dr. Reddy's Laboratories Inc.	62,912	72,056
Dr. Reddy's Laboratories LLC, Ukraine	884	(217)
Dr. Reddy's Laboratories Canada Inc.	187	144
Dr. Reddy's Laboratories Tennessee, LLC	9	-
v. Interest expense paid to holding company and other group companies:		
Reddy Holdings GmbH	-	628
vi. Guarantee commission paid / payable to holding and other group companies:		
Dr. Reddy's Laboratories Limited	1,315	1,449
vii. Guarantee commission received from holding company and other group companies:		
betapharm Arzneimittel GmbH	-	20
Dr. Reddy's Laboratories (EU) Limited	25	14
viii. Investments made in other group companies:		
Dr. Reddy's Laboratories New York, Inc.	1,686	-
Reddy Netherlands B.V.	2,484	-
Dr. Reddy's Laboratories SAS	56	-

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)

2.23: Related party disclosures (continued)

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

Particulars	As at 31 March 2015	As at 31 March 2014
i. Due from holding company and other group companies (included in advances and other assets):		
Dr. Reddy's Venezuela, C.A.	831	-
Dr. Reddy's Laboratories (EU) Limited	5	-
Dr. Reddy's Laboratories (Canada) Inc.	250	-
Lacock Holdings Limited	-	269,060
Reddy Holdings GmbH	113,128	-
Dr. Reddy's Laboratories (Australia) Pty. Limited	6,583	7,363
ii. Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's Laboratories Limited	3,195	3,142
OOO Dr. Reddy's Laboratories Limited	1,614	1,935
Industrias Quimicas Falcon de Mexico, S.A.	84	-
Dr. Reddy's Laboratories Inc.	43,813	2,757
Dr. Reddy's Laboratories LLC, Ukraine	501	-
Dr. Reddy's Laboratories Canada Inc.	295	143
iii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Ltd.	15,860	20,168
Industrias Quimicas Falcon de Mexico, S.A.	9,312	5,330
Dr. Reddy's Laboratories Romania SRL	501	275
Dr. Reddy's Singapore PTE. LTD.	260	-
Dr. Reddy's Laboratories (EU) Limited	149	134
Chirotech Technology Limited	413	-
OctoPlus Development B.V.	40	-
iv. Due to holding company and other group companies (included in other liabilities):		
Dr. Reddy's Laboratories Limited	295	3,320
OOO Dr. Reddy's Laboratories Limited	367	368
Dr. Reddy's Laboratories Inc.	1,128	592
Dr. Reddy's Laboratories International SA	14	55
v. Due to holding company and other group companies (included in borrowings):		
Dr. Reddy's Laboratories International SA	386	-

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)

2.24 : 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 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: 8 May 2015

for and on behalf of the Board of Directors

Satish Reddy

Director

Saumen Chakraborty

Director

Independent Auditors' Report

To
The Members of
Dr. Reddy's Laboratories SAS

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories SAS**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

Dr. Reddy's Laboratories SAS
Balance Sheet

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

	Note	As at 31 March 2015
EQUITY AND LIABILITIES		
Shareholders' funds		
Share capital	2.1	5,561
Reserves and surplus	2.2	<u>(758)</u>
		<u>4,803</u>
Current liabilities		
Other current liabilities	2.3	<u>181</u>
		<u>181</u>
	TOTAL	<u><u>4,984</u></u>
ASSETS		
Current assets		
Cash and bank balances	2.4	<u>4,984</u>
		<u>4,984</u>
	TOTAL	<u><u>4,984</u></u>

Significant accounting policies

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

MV Ramana

Director

Place: Hyderabad

Date: 8 May 2015

Dr. Reddy's Laboratories SAS

Statement of Profit and Loss

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

	Note	For the period 24 November 2014 to 31 March 2015
Total revenue		-
Expenses		
Other expenses	2.5	<u>758</u>
Total expenses		<u>758</u>
Loss before tax		(758)
Tax expense		<u>-</u>
Loss for the year		<u>(758)</u>
Earnings per share		
Basic - Par value USD 1 per share		(23.45)
Diluted - Par value USD 1 per share		(23.45)
Number of shares used in computing earnings per share		
Basic		32,329
Diluted		32,329

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

MV Ramana

Director

Place: Hyderabad

Date: 8 May 2015

Dr. Reddy's Laboratories SAS

Cash Flow Statement

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

For the year ended
31 March 2015

Cash flows from / (used in) operating activities	
Loss before taxation	(758)
Adjustments:	
Foreign exchange (gain) / loss, net	459
Operating cash flows before working capital changes	(299)
<i>Changes in operating assets and liabilities</i>	
Other assets and liabilities, net	184
Cash used in operations	(115)
Income taxes paid, net	-
Net cash used in operating activities	(115)
Cash flows from / (used in) investing activities	
Net cash from / (used in) investing activities	-
Cash flows from / (used in) financing activities	
Proceeds from issuance of share capital	5,561
Net cash from financing activities	5,561
Net increase / (decrease) in cash and cash equivalents	5,446
Cash and cash equivalents at the beginning of the year	-
Effect of foreign exchange gain on cash and cash equivalents	(462)
Cash and cash equivalents at the end of the year	4,984
Notes to the cash flow statement:	
Cash and cash equivalents at the end of the year	4,984
Other bank balances	-
Cash and bank balances at the end of the year	4,984

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: 8 May 2015

for and on behalf of the Board of Directors

Saumen Chakraborty
Director

MV Ramana
Director

Dr. Reddy's Laboratories SAS
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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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 and are not discounted to its present value.

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.

f) *Earnings per share*

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

Dr. Reddy's Laboratories SAS**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 2015
Authorised	
100,000 equity shares of USD 1 each	5,561
Issued	
100,000 equity shares of USD 1 each	5,561
Subscribed and paid-up	
100,000 equity shares of USD 1 each	5,561
	5,561

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

Particulars	As at 31 March 2015	
	No. of equity shares	Amount
Number of shares at the beginning of the year	-	-
Shares issued during the year	100,000	5,561
Number of shares outstanding at the end of the year	100,000	5,561

(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 2015	
	No. of equity shares	% of equity shares
Dr. Reddy's Laboratories SA	100,000	100

2.2 : Reserves and surplus

	As at 31 March 2015
Deficit	
Balance as at 24 November 2014	-
Add: Current period loss	(758)
Balance carried forward	(758)

2.3 : Other current liabilities

	As at 31 March 2015
Accrued expenses	181
	181

Dr. Reddy's Laboratories SAS

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 2015
Bank balances	
In current accounts	4,984
	<u><u>4,984</u></u>

2.5 : Other expenses

	For the period 24 November 2014 to 31 March 2015
Legal and professional	188
Foreign exchange loss, net	570
	<u><u>758</u></u>

2.6 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2015

2.7 : The company was incorporated on 24 November 2014. Accordingly, comparative figures are not presented

2.8 : The Company incorporated in Colombia, 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

MV Ramana
Director

Place: Hyderabad
Date: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

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 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	11,196	11,196
Reserves and surplus	2.2	(15,472)	(5,121)
		<u>(4,276)</u>	<u>6,075</u>
Current liabilities			
Trade payables	2.3	229	627
Other current liabilities	2.4	15,054	7,620
Short term provisions	2.5	5	5
		<u>15,288</u>	<u>8,252</u>
	TOTAL	<u>11,012</u>	<u>14,327</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	6,697	5,646
Intangible assets	2.6	816	1,598
Capital work-in-progress		157	1,113
Long term loans and advances	2.7	60	338
		<u>7,730</u>	<u>8,695</u>
Current assets			
Inventories	2.8	2,527	5,345
Cash and bank balances	2.9	622	209
Short term loans and advances	2.10	133	78
		<u>3,282</u>	<u>5,632</u>
	TOTAL	<u>11,012</u>	<u>14,327</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: 8 May 2015

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 2015	For the year ended 31 March 2014
Income			
Sales, net		14,689	19,249
Other operating revenues		5	2
Total revenue		14,694	19,251
Expenses			
Cost of material consumed (including packing material consumed)		13,915	12,791
Changes in inventories of finished goods and work-in-progress	2.11	44	200
Employee benefits expense	2.12	6,784	6,019
Depreciation and amortization expense	2.6	1,376	2,003
Other expenses	2.13	3,051	3,647
Total expenses		25,170	24,660
Loss before tax		(10,476)	(5,409)
Tax expense	2.17	-	-
Loss for the year		(10,476)	(5,409)

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: 8 May 2015

Dr. Reddy's Laboratories Tennessee, LLC
Cash Flow Statement

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Loss before taxation	(10,476)	(5,409)
Adjustments:		
Depreciation and amortization expense	1,376	2,003
(Profit) / Loss on sale of fixed assets, net	281	2
Provision for inventory obsolescence	1,854	680
Operating cash flows before working capital changes	(6,965)	(2,724)
<i>Changes in operating assets and liabilities</i>		
Trade receivables	-	1,068
Inventories	1,128	(2,339)
Trade payables	(416)	(1,219)
Other assets and liabilities, net	7,036	6,669
Cash generated from operations	783	1,455
Income taxes paid, net	-	-
Net cash from operating activities	783	1,455
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(467)	(1,459)
Proceeds from sale of tangible and intangible assets	78	-
Net cash used in investing activities	(389)	(1,459)
Cash flows from / (used in) financing activities		
Net cash from / (used in) financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	394	(4)
Cash and cash equivalents at the beginning of the year	209	193
Effect of foreign exchange gain on cash and cash equivalents	18	20
Cash and cash equivalents at the end of the year	622	209
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	622	209
Other bank balances	-	-
Cash and bank balances at the end of the year	622	209

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: 8 May 2015

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

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

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

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.

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 Tennessee, LLC

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 estimate for the useful lives for the various intangible assets is between 3 and 5 years.

The amortisation period and the amortisation method for intangible assets are reviewed at each financial year-end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

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 (NRV). Cost of inventories comprises all cost of purchase, production or conversion costs and other costs incurred in bringing the inventories to their present location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. The cost of all categories of inventory is determined using weighted average cost method. 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.

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.

Termination benefits

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated 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 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 and are not discounted to its present value.

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) 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. The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. 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 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 2015	As at 31 March 2014
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 2015		As at 31 March 2014	
	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 2015	As at 31 March 2014
Foreign currency translation reserve		
Balance at the beginning of the year	3,405	2,281
Movement during the year	<u>125</u>	<u>1,124</u>
	<u>3,530</u>	<u>3,405</u>
Deficit		
Balance at the beginning of the year	(8,526)	(3,117)
Add: Current year loss	<u>(10,476)</u>	<u>(5,409)</u>
Balance carried forward	<u>(19,002)</u>	<u>(8,526)</u>
	<u>(15,472)</u>	<u>(5,121)</u>

2.3 : Trade payables

	As at 31 March 2015	As at 31 March 2014
Trade payable	<u>229</u>	<u>627</u>
	<u>229</u>	<u>627</u>

2.4 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Due to capital creditors	6	17
Due to holding company and other group companies	13,602	6,744
Salary and bonus payable	962	502
Accrued expenses	341	120
Others	143	237
	<u>15,054</u>	<u>7,620</u>

2.5 : Short term provisions

	As at 31 March 2015	As at 31 March 2014
Provision for employee benefits	<u>5</u>	<u>5</u>
	<u>5</u>	<u>5</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)

2.6 : Fixed assets

Description	Gross Block					Depreciation					Net Block	
	As at 01.04.2014	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Land	662	-	-	29	691	-	-	-	-	-	691	662
Building	5,233	236	165	227	5,531	918	331	29	45	1,265	4,266	4,315
Plant and machinery	2,163	1,319	502	111	3,091	1,525	174	279	63	1,483	1,608	638
Electrical equipment	8	24	-	1	33	8	2	-	-	10	23	-
Lab equipment	93	92	-	6	191	80	4	-	4	88	103	13
Office equipment	342	19	-	15	376	324	32	-	14	370	6	18
Furniture and fixtures	37	-	-	-	37	37	-	-	-	37	-	-
Total tangible assets (A)	8,538	1,690	667	389	9,951	2,892	543	308	126	3,252	6,697	5,646
Intangibles	3,973	-	-	171	4,144	2,375	833	-	120	3,328	816	1,598
Total intangible assets (B)	3,973	-	-	171	4,144	2,375	833	-	120	3,328	816	1,598
Total (A+B)	12,511	1,690	667	560	14,094	5,267	1,376	308	246	6,580	7,513	7,244
Previous year	11,183	174	3	1,157	12,511	2,977	2,003	1	288	5,267	7,244	

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 2015	As at 31 March 2014
Capital advances for purchase of fixed assets	60	338
	<u>60</u>	<u>338</u>

2.8 : Inventories**(Valued on weighted average basis)**

	As at 31 March 2015	As at 31 March 2014
Raw materials	2,033	4,406
Work-in-progress	70	220
Finished goods	129	23
Packing materials	295	696
	<u>2,527</u>	<u>5,345</u>

2.9 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Bank balances		
In current accounts	622	209
	<u>622</u>	<u>209</u>

2.10 : Short term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Advances to material suppliers	-	4
Prepaid expenses	133	74
	<u>133</u>	<u>78</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)**2.11 : Changes in inventories of finished goods and work-in-progress**

	For the year ended 31 March 2015	For the year ended 31 March 2014
<i>Opening</i>		
Work-in-progress	220	220
Finished goods	23	223
	<u>243</u>	<u>443</u>
<i>Closing</i>		
Work-in-progress	70	220
Finished goods	129	23
	<u>199</u>	<u>243</u>
<i>Net decrease</i>	<u><u>44</u></u>	<u><u>200</u></u>

2.12 : Employee benefits expense

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	5,588	4,885
Contribution to provident and other funds	333	315
Staff welfare expenses	863	819
	<u><u>6,784</u></u>	<u><u>6,019</u></u>

2.13 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Consumption of stores and spare parts	-	419
Legal and professional	36	260
Carriage outward	5	6
Rates and taxes	375	317
Repairs and maintenance		
Buildings	226	254
Plant and machinery	284	209
Others	691	801
Power and fuel	837	868
Loss on sale of fixed assets, net	281	2
Insurance	106	162
Foreign exchange loss, net	1	2
Other general expenses	209	347
	<u><u>3,051</u></u>	<u><u>3,647</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)**2.14 : 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 2015 ₹ 18 (previous year: ₹ 245).

2.15 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i. Sales and services rendered to holding company and other companies within the group:		
Dr. Reddy's Laboratories Inc.	14,689	19,249
ii. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories SA	9	-

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

Particulars	As at 31 March 2015	As at 31 March 2014
i. Due to holding company and other group companies (included in other current liabilities):		
Dr. Reddy's Laboratories Inc	13,415	6,744
Dr. Reddy's Laboratories Louisiana LLC	188	-

2.16 : 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.

2.17 : 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 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: 8 May 2015

G.V. Prasad
Director

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

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 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	328	328
Reserves and surplus	2.2	32,580	78,836
		32,908	79,164
Current liabilities			
Trade payables	2.3	28,318	6,371
Other current liabilities	2.4	1,341	772
		29,659	7,143
	TOTAL	62,567	86,307
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	158	47
Deferred tax assets, net	2.16	-	9,465
Long term loans and advances	2.6	1,888	3,487
		2,046	12,999
Current assets			
Inventories	2.7	4,319	7,457
Trade receivables	2.8	28,175	22,285
Cash and bank balances	2.9	27,069	40,210
Short term loans and advances	2.10	958	3,356
		60,521	73,308
	TOTAL	62,567	86,307

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: 8 May 2015

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 2015	For the year ended 31 March 2014
Income			
Sales, net		92,491	127,795
Other income	2.11	405	7,725
Total revenue		92,896	135,520
Expenses			
Purchase of stock-in-trade (traded goods)		69,963	76,219
Changes in inventories of stock-in-trade	2.12	3,138	32,718
Employee benefits expense	2.13	17,278	15,824
Depreciation expense	2.5	67	104
Other expenses	2.14	40,792	35,395
Total expenses		131,238	160,260
Loss before tax		(38,342)	(24,740)
Tax expense			
Deferred tax expense / (benefit)		7,914	(8,914)
Loss for the year		(46,256)	(15,826)
Earnings per share			
Basic - Par value NZD 1 per share		(4,625.60)	(1,582.60)
Diluted - Par value NZD 1 per share		(4,625.60)	(1,582.60)
Number of shares used in computing earnings per share			
Basic		10,000	10,000
Diluted		10,000	10,000

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: 8 May 2015

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

Director

M V Narasimham

Director

Dr. Reddy's New Zealand Limited**Cash Flow Statement**

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Loss before taxation	(38,342)	(24,740)
Adjustments:		
Depreciation and amortization expense	67	104
Foreign exchange (gain) / loss, net	4,225	(7,593)
Interest income	(405)	(655)
Operating cash flows before working capital changes	(34,455)	(32,884)
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(7,123)	(8,281)
Inventories	3,138	32,718
Trade payables	24,626	(46,143)
Other assets and liabilities, net	2,873	(3,596)
Cash generated from / (used in) operations	(10,942)	(58,187)
Income taxes paid, net	1,330	(118)
Net cash used in operating activities	(9,612)	(58,305)
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(178)	-
Interest received	405	655
Net cash from investing activities	227	655
Net increase / (decrease) in cash and cash equivalents	(9,385)	(57,650)
Cash and cash equivalents at the beginning of the year	40,210	88,217
Effect of foreign exchange gain on cash and cash equivalents	(3,756)	9,643
Cash and cash equivalents at the end of the year	27,069	40,210
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	27,069	40,210
Other bank balances	-	-
Cash and bank balances at the end of the year	27,069	40,210

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: 8 May 2015

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

Assets acquired on finance leases and leasehold improvements are depreciated over the period of the lease agreement or the useful life whichever is shorter. Land is not depreciated.

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

	Years
Furniture and fixtures	3 to 5

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

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.

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 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)

e) Inventories

Inventories are valued at the lower of cost and net realisable value (NRV). Cost of inventories comprises all cost of purchase, production or conversion costs and other costs incurred in bringing the inventories to their present location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. The cost of all categories of inventory is determined using weighted average cost method. 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.

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. The estimate of sales returns is determined primarily by the Company's historical experience in the markets in which the Company operates.

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.

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)

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) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

l) 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. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of amortised historical cost.

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 2015	As at 31 March 2014
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 2015		As at 31 March 2014	
	No. of equity shares	Amount	No. of equity	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 2015		As at 31 March 2014	
	No. of equity shares held	% of equity shares held	No. of equity	% of equity shares held
Dr. Reddy's Laboratories SA	10,000	100	10,000	100

2.2 : Reserves and surplus

	As at 31 March 2015	As at 31 March 2014
Foreign currency translation reserve		
Balance at the beginning of the year	-	194
Movement during the year	<u>-</u>	<u>(194)</u>
	<u>-</u>	<u>-</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	(26,192)	(10,366)
Add: Current year profit / (loss)	<u>(46,256)</u>	<u>(15,826)</u>
Balance carried forward	<u>(72,448)</u>	<u>(26,192)</u>
	<u>32,580</u>	<u>78,836</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 2015	As at 31 March 2014
Payables to holding company and other group companies	22,182	3,877
Payables to others	<u>6,136</u>	<u>2,494</u>
	<u>28,318</u>	<u>6,371</u>

2.4 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Accrued expenses	1,070	365
Due to statutory authorities	<u>271</u>	<u>407</u>
	<u>1,341</u>	<u>772</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 01.04.2014	Additions	Deletions	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Furniture and fixtures	553	178	-	731	506	67	-	573	158	47
Total tangible assets (A)	553	178	-	731	506	67	-	573	158	47
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	178	-	105,744	105,519	67	-	105,586	158	47
Previous year	105,566	-	-	105,566	105,415	104	-	105,519	47	

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 2015	As at 31 March 2014
Advance tax, net of provision for income taxes	1,888	3,487
	<u>1,888</u>	<u>3,487</u>

2.7 : Inventories

(Valued on weighted average basis)

	As at 31 March 2015	As at 31 March 2014
Stock-in-trade	4,319	7,457
	<u>4,319</u>	<u>7,457</u>

2.8 : Trade receivables

	As at 31 March 2015	As at 31 March 2014
Unsecured		
Debts outstanding for a period exceeding six months	-	-
Other debts		
Considered good	28,175	22,285
	<u>28,175</u>	<u>22,285</u>

2.9 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Cash on hand	20	22
Bank balances		
In current accounts	27,049	40,188
	<u>27,069</u>	<u>40,210</u>

2.10 : Short term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Other advances	958	3,356
	<u>958</u>	<u>3,356</u>

2.11 : Other income

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest income	405	655
Foreign exchange gain, net	-	7,070
	<u>405</u>	<u>7,725</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 2015	For the year ended 31 March 2014
<i>Opening</i>		
Stock-in-trade	7,457	40,175
<i>Closing</i>		
Stock-in-trade	<u>4,319</u>	<u>7,457</u>
<i>Net decrease/(increase)</i>	<u>3,138</u>	<u>32,718</u>

2.13 : Employee benefits expense

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	17,025	15,516
Contribution to provident and other funds	253	281
Staff welfare expenses	-	27
	<u>17,278</u>	<u>15,824</u>

2.14 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Legal and professional	4,179	2,244
Selling expenses	21,675	24,936
Travelling and conveyance	2,711	1,280
Communication	578	595
Rent	2,484	2,205
Foreign exchange loss, net	861	-
Other general expenses	8,304	4,135
	<u>40,792</u>	<u>35,395</u>

2.15 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2015 (previous year: Nil).

2.16 : Deferred taxation

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

Particulars	As at 31 March 2015	As at 31 March 2014
Deferred tax assets / (liabilities)		
Losses carry forward	-	9,017
Inventories	-	656
Current assets	-	226
Fixed assets	-	2
Current liabilities	-	(436)
Deferred tax asset, net	<u>-</u>	<u>9,465</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)**2.17 : Related party disclosures**

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i. Purchases and services from holding and other group companies:		
Dr. Reddy's Laboratories Limited	41,540	48,428
Dr. Reddy's Laboratories (Australia) Pty Limited	8,065	3,913
ii. Sales and services to holding and other group companies:		
Dr. Reddy's Laboratories (Australia) Pty Limited	17,602	-

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

Particulars	As at 31 March 2015	As at 31 March 2014
i. Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's Laboratories (Australia) Pty Limited	17,654	-
ii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	22,182	1,104
Dr. Reddy's Laboratories (Australia) Pty Limited	-	2,773

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

A Ramachandra Rao

Partner

Membership No. 9750

Abhijit Mukerjee

Director

M V Narasimham

Director

Place: Hyderabad

Date: 8 May 2015

Dr. Reddy's Pharma SEZ Limited
Board's Report

Dear Members,

Your Directors present the 6th Board's Report of the Company for the year ended 31 March 2015.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2014-15 as compared to previous financial year:

(Rs. in thousands)

Particulars	31 March 2015	31 March 2014
Profit/(Loss) for the period after taxation	(11)	(291)
Balance brought forward	(500)	(209)
Balance carried forward to Balance Sheet	(511)	(500)

State of Company's Affairs

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 2015.

Share Capital

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

Fixed Deposits

The Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013.

Material Changes and Commitments Affecting the Financial Position of the Company

There were no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of this report.

Particulars of Loans, Guarantees or Investments

The Company has not given any loans or guarantees nor made any investments during the year.

Number of Board meetings

The Company's Board met six times during the year: 9 May 2014, 29 July 2014, 25 September 2014, 27 October 2014, 8 December 2014 and 27 January 2015.

Board of Directors

Pursuant to provisions of Section 152 of the Companies Act, 2013, Mr. Saumen Chakraborty (DIN: 06471520), retires by rotation at the ensuing Annual General Meeting and being eligible, seeks re-appointment. Your Directors recommend his re-appointment for approval at the ensuing Annual General Meeting.

During the year under review Mr. Satish Reddy (DIN: 00129701) and Dr. R Ananthanarayanan (DIN: 02231540) resigned from the Board of Directors and ceased to be Directors of the Company with effect from 25 September 2014 and 8 December 2014 respectively. The Board accorded its deep appreciation for the services rendered by them during their term.

Pursuant to the provisions of Section 152 and 161 of the Companies Act, 2013, the Board appointed Mr. Venkatanarasimham Mannam (DIN: 02677423) and Dr. Chandrasekhar Sripada (DIN: 02813923) as Additional Directors on 25 September 2014 and 8 December 2014 respectively. They shall hold office till the conclusion of the ensuing Annual General Meeting of the Company. Requisite notice under Section 160 of the Companies Act, 2013 has been received from members proposing their appointment.

The Board recommends the appointment of Mr. Venkatanarasimham Mannam and Dr. Chandrasekhar Sripada as Directors, to the members for their approval at the ensuing Annual General Meeting.

The brief profiles of Mr. Venkatanarasimham Mannam and Dr. Chandrasekhar Sripada are given in the Statement pursuant to Section 102(1) of the Companies Act, 2013 annexed to the Notice of the Annual General Meeting for reference of the shareholders.

Risk Management and Adequacy of Internal Financial Controls with Reference to Financial Statements

Your Company is guided by the holding company, Dr. Reddy's Laboratories Limited's (DRL) policies. Accordingly, the philosophies, policies or procedures relating to internal controls over Financial Accounting, Risk Management and Compliance of DRL are applicable to your Company as well. Identified key risks and internal control matters pertaining to your Company, if any, are reviewed by the DRL's Internal Audit and Risk Management teams, discussed with management and suitably updated to DRL's Board.

Directors' Responsibility Statement

In terms of Section 134(5) of the Companies Act, 2013, your Directors state that:

1. applicable accounting standards have been followed in the preparation of the annual accounts;
2. accounting policies have been selected and applied consistently. Reasonable and prudent judgments and estimates were made, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2014-15 and of the loss of the Company for that period;
3. proper and sufficient care has been taken to maintain 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. annual accounts have been prepared on a going concern basis; and
5. proper systems have been devised to ensure compliance with the provisions of all applicable laws and these systems were adequate and operating effectively.

Related Party Transactions

The Company does not have any transactions with related parties, except with its holding company Dr. Reddy's Laboratories Limited. Hence the relevant provisions are not applicable to your Company.

Statutory Auditors

The Statutory Auditors of the Company M/s. A. Ramachandra Rao & Co., Chartered Accountants, retire at the ensuing 6th Annual General Meeting. They have confirmed their eligibility to act as Statutory Auditors under Section 141 of the Companies Act, 2013 and Rule 4 of the Companies (Audit and Auditors) Rules, 2014, 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 2015-16 for shareholder's approval.

There are no qualifications, reservations or adverse remarks made by the Statutory Auditors in their report.

Significant and Material Orders passed by the Court/Regulators

During the year under review, there were no significant and/or material orders, passed by any Court or Regulators or Tribunal which may impact the going concern status or the Company's operations in future.

Particulars of Employees

None of the employees of the Company draw salary more than the amount as specified under the provisions of Section 197(12) of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended from time to time. Hence the relevant provisions are not applicable to your Company.

Conservation of energy, Technology Absorption, Foreign exchange earnings and outgo

The particulars as prescribed under Section 134(3)(m) of the Companies Act, 2013, read with the Companies (Accounts) Rules, 2014 relating to conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Extract of the Annual Return

The details forming part of the extract of the Annual Return in Form MGT-9 are attached as 'Annexure I' to this Report.

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 2015

Venkatanarasimham Mannam
Director

**FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN**

As on the financial year ended on 31 March, 2015

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

Sl. No.	Particulars	Details
i)	CIN	U24233TG2009PLC064271
ii)	Registration Date	8 July 2009
iii)	Name of the Company	Dr. Reddy's Pharma SEZ Limited
iv)	Category/Sub-Category of the Company	Public Company / Limited by Shares
v)	Address of the Registered office and contact details	7-1-27, Ameerpet, Hyderabad, Telangana-500016
vi)	Whether listed company Yes/No	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	NA

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company are given below:

Sl. no.	Name and Description of main products/services	NIC Code of the product/ service	% to total turnover of the company
			NA

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. no.	Name of the Company	Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held*	Applicable Section
1	Dr. Reddy's Laboratories Limited	8-2-337, Road no. 3, Banjara Hills, Hyderabad- 500034	L85195TG 1984PLC0 04507	Holding	100	2(46)

* Represents aggregate % of shares held by the Company.

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A. PROMOTERS									
(1) Indian									
a) Individual/HUF	0	0	0	0	0	0	0	0	0
b) Central Govt.	0	0	0	0	0	0	0	0	0
c) State Govt(s).	0	0	0	0	0	0	0	0	0
d) Bodies Corp.	0	50,000	50,000	100	0	50,000	50,000	100	0
e) Banks/FI	0	0	0	0	0	0	0	0	0
f) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(1)	0	50,000	50,000	100	0	50,000	50,000	100	0
(2) Foreign									
a) NRIs-Individuals	0	0	0	0	0	0	0	0	0
b) Other-Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks/FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(2)	0	0	0	0	0	0	0	0	0
Total shareholding of Promoter (A)=(A)(1)+(A)(2)	0	50,000	50,000	100	0	50,000	50,000	100	0
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual funds/UTI	0	0	0	0	0	0	0	0	0
b) Banks/FI	0	0	0	0	0	0	0	0	0

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
c) Central Govt.	0	0	0	0	0	0	0	0	0
d) State Govt(s).	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FII's	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
Sub-total (B)(1)	0	0	0	0	0	0	0	0	0
(2) Non-Institutions									
a) Bodies Corp	0	0	0	0	0	0	0	0	0
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0
i) Individual shareholders holding nominal share capital upto Rs.1 lakh	0	0	0	0	0	0	0	0	0
ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh	0	0	0	0	0	0	0	0	0
c) Others (specify)									
c-i) Trust	0	0	0	0	0	0	0	0	0
c-ii) Clearing Member	0	0	0	0	0	0	0	0	0
c-iii) NRIs	0	0	0	0	0	0	0	0	0
c-iv) Foreign Nationals	0	0	0	0	0	0	0	0	0
Sub-total (B)(2)	0	0	0	0	0	0	0	0	0
Total Public Shareholding	0	0	0	0	0	0	0	0	0
(B)=(B)(1)+ (B)(2)	0	0	0	0	0	0	0	0	0
C. SHARES HELD BY CUSTODIAN FOR GDRS & ADRS	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	0	50,000	50,000(*)	100	0	50,000	50,000(*)	100	0

(*) Out of 50,000 equity shares, 6 equity shares are held by six individuals as nominee shareholders on behalf of Dr. Reddy's Laboratories Limited, Holding Company.

ii) Shareholding of Promoters

Sr. no.	Category of Shareholders	No. of shares held at the beginning of the year			No. of shares held at the end of the year			% change during the year
		No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares*	No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares*	
1	Dr. Reddy's Laboratories Limited	50,000	100	0	50,000	100	0	0
		50,000	100	0	50,000	100	0	0

iii) Change in Promoters' Shareholding

	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
At the beginning of the year	50,000	100	50,000	100
Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/ transfer/bonus/sweat equity etc):	0	0	0	0
At the End of the year	50,000	100	50,000	100

iv) Shareholding pattern of top ten Shareholders (other than Directors, Promoters and holders of GDRs and ADRs)

Name	Shareholding at the beginning of the year		Shareholding at the end of the year	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
NIL				

v) Shareholding of Directors and Key Managerial personnel

Sr. no.	Name	Date	Shareholding at the beginning of the year		Increase / (Decrease) in Shareholding, if any	Reason	Cumulative Shareholding during the year	
			No. of Shares (*)	% of total shares of the company			No. of Shares	% of total shares of the company
A. DIRECTORS								
1	Mr. Saumen Chakraborty (Director)	01.04.2014	1	0	0	0	1	0
		31.03.2015	1	0	0	0	1	0
2	Mr. Venkatanarasimham Mannam (Director)**	01.04.2014	1	0	0	0	1	0
		31.03.2015	1	0	0	0	1	0
3	Dr. S Chandrasekhar (Director)***	01.04.2014	0	0	0	0	0	0
		31.03.2015	0	0	0	0	0	0
B. KEY MANAGEMENT PERSONNEL (KMPs) - Nil								

* Held as Nominee shareholders on behalf of Dr. Reddy's Laboratories Limited, Holding Company.

** Appointed on 25th September 2014

*** Appointed on 8th December 2014

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year (April 1, 2014)				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	-	-	-
Change in Indebtedness during the financial year				
Addition	-	-	-	-
Reduction	-	-	-	-
Net Change	-	-	-	-
Indebtedness at the end of the financial year (March 31, 2015)				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	-	-	-

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A) Remuneration of Managing Director, Whole-time Director and/or Manager - Not applicable

B) Remuneration of other directors No remuneration was paid to directors.

C) Remuneration of Key Managerial Personnel other than MD/WTD/Manager Not applicable

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES

There were no penalties/punishments/compounding of offences during the year.

Independent Auditor's Report

To
**The Members of
Dr. Reddy's Pharma SEZ Limited**

Report on the Financial Statements

We have audited the accompanying financial statements of **Dr. Reddy's Pharma SEZ Limited** which comprise the Balance Sheet as at 31 March 2015, and the Statement of Profit and Loss and the 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

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. 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 financial control relevant to the Company's preparation of the financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Company's Directors, 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 on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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, of the state of affairs of the Company as at 31 March 2015 and its profit/loss and its 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, 2015 ("the order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e) On the basis of written representations received from the directors as on 31 March, 2015, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2015, from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the other matters included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to our best of our information and according to the explanations given to us :
 - i. The Company does not have any pending litigations which would impact its financial position;
 - ii. The Company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses; and
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company;

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

A. Ramachandra Rao
Partner
Membership No. : 9750

Place: Hyderabad
Date: 9 May 2015

ANNEXURE TO THE AUDITORS' REPORT

Ref: Dr. Reddy's Pharma SEZ Limited
(Of even date referred to in Para 1 of our Report)

- i. The company does not have any fixed assets and hence, in our opinion, clauses 3(i) (a) and (b) are not applicable to the company.
- ii. The company does not have any inventories during the year and hence, in our opinion, clauses 3(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, whether secured or unsecured, to the companies, firms or other parties covered in the Register maintained u/s Sec. 189 of the Companies Act, 2013 during the year. Hence sub clauses (a) and (b) of clause 3(iii) of the order are not applicable to the company for the year.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and also for the sale of goods and services, to the extent applicable. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v. Based on the information provided to us, the Company has not accepted any deposits during the year and hence, in our opinion, the Clause 4(v) is not applicable to the company for the year
- vi. Based on the explanations given to us, the Central Government has not prescribed any cost records and accounts, which are required to be maintained under section 148 of the Companies Act, 2013.
- vii. (a) According to the records of the company, the company is regular in depositing the undisputed statutory dues, to the extent applicable, including employees state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess with the appropriate authorities.

(b) According to the information and explanations given to us, there are no dues of VAT, income tax, customs duty, excise duty, wealth tax, service tax, cess to be deposited on account of any dispute.

Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

(c) According to the information provided and explanations offered to us, the company is not required to transfer to Investor Education and Protection Fund any amounts in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made there under and hence this clause is not applicable to the Company.
- viii. 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 in the immediately preceding financial year.
- ix. Based on the information provided and explanation given to us, the company has not taken any loans from banks and hence the clause 3(ix) is not applicable to the company for the year.
- x. Based on the information provided and explanations offered to us, the Company has not given guarantee for loans taken by others from Banks or Financial Institutions the terms and conditions whereof are prejudicial to the interest of the company.

- xi. According to the information and explanations given to us, the company has not obtained any term loans during the year and hence clause 3(xi) of the order is not applicable to the company.
- xii. 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 2015

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 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	500	500
Reserves and surplus	2.2	(511)	(500)
		<u>(11)</u>	<u>-</u>
Current liabilities			
Other current liabilities	2.3	11	-
		<u>11</u>	<u>-</u>
	TOTAL	<u>-</u>	<u>-</u>
ASSETS			
Current assets			
Cash and bank balances	2.4	-	-
		<u>-</u>	<u>-</u>
	TOTAL	<u>-</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

for and on behalf of the Board of Directors

Saumen Chakraborty

Director

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2015

Venkatanarasimham Mannam

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 2015	For the year ended 31 March 2014
Total revenue		-	-
Expenses			
Other expenses	2.5	11	291
Total expenses		<u>11</u>	<u>291</u>
Profit before exceptional and extraordinary items and tax		(11)	(291)
Exceptional items		-	-
Profit before extraordinary items and tax		<u>(11)</u>	<u>(291)</u>
Extraordinary items		-	-
Loss before tax		<u>(11)</u>	<u>(291)</u>
Tax expense		-	-
Loss for the year		<u><u>(11)</u></u>	<u><u>(291)</u></u>
Earnings per share	2.7		
Basic - Par value ₹ 10/- per share		(0.22)	(5.82)
Diluted - Par value ₹ 10/- per share		(0.22)	(5.82)
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***for and on behalf of the Board of Directors**

ICAI FRN : 002857S

Saumen Chakraborty

Director

A Ramachandra Rao

Partner

Membership No. 9750

Venkatanarasimham Mannam

Director

Place: Hyderabad

Date: 9 May 2015

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 2015	For the year ended 31 March 2014
Cash flow from operating activities		
Loss for the year	(11)	(291)
Operating profit before working capital changes	(11)	(291)
<i>Changes in operating assets and liabilities</i>		
Other current liabilities	11	(28)
Cash used in operations	-	(319)
Income tax paid	-	-
Net cash used in operating activities	-	(319)
Cash flows from/(used in) investing activities	-	-
Cash flows from/(used in) financing activities	-	-
Net decrease in cash & bank balances	-	(319)
Cash & bank balances at the beginning of the year	-	319
Cash & bank balances at the end of the year	-	-

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 Ramachandra Rao

Partner

Membership No.: 9750

Place: Hyderabad

Date: 9 May 2015

Venkatanarasimham Mannam

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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. Useful lives of tangible, assessment of recoverable amounts of cash generating units, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

d) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

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 and are not discounted to its present value.

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 2015	As at 31 March 2014
Authorised		
1,000,000 (previous year : 1,000,000) equity shares of ₹ 10/- each	10,000	10,000
	<u>10,000</u>	<u>10,000</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 2015		As at 31 March 2014	
	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 2015		As at 31 March 2014	
	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

Note 2: Notes to financial statements (continued)

2.2 : Reserves and surplus

	As at 31 March 2015	As at 31 March 2014
Deficit		
Balance at the beginning of the year	(500)	(209)
Add: Current year loss	(11)	(291)
Balance carried forward	<u>(511)</u>	<u>(500)</u>

2.3 Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Other current liabilities	11	-
	<u>11</u>	<u>-</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)

2.4 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Bank balances		
In current accounts	-	-
	<u> -</u>	<u> -</u>

2.5 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Rates and taxes	-	-
Auditors' remuneration	11	11
Other general expenses	-	280
	<u> 11</u>	<u> 291</u>

2.6 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2015 (previous year: Nil).

2.7 : Earnings per share

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
Loss for the year	(11)	(291)
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	(0.22)	(5.82)
Diluted Earnings/(Loss) in ₹ per share	(0.22)	(5.82)

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

Venkatanarasimham Mannam

Director

Place: Hyderabad

Date: 9 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

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 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	24,869	24,869
Reserves and surplus	2.2	5,857	(1,349)
		<u>30,726</u>	<u>23,520</u>
Current liabilities			
Other current liabilities	2.3	9,732	271
		<u>9,732</u>	<u>271</u>
	TOTAL	<u>40,458</u>	<u>23,791</u>
ASSETS			
Current assets			
Trade receivables	2.4	25,997	-
Cash and bank balances	2.5	14,370	23,791
Short term loans and advances	2.6	91	-
		<u>40,458</u>	<u>23,791</u>
	TOTAL	<u>40,458</u>	<u>23,791</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: 8 May 2015

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 1 April 2014 to 31 March 2015	For the period 22 October 2013 to 31 March 2014
Income			
Service income		48,079	-
Revenue from operations		<u>48,079</u>	<u>-</u>
Expenses			
Employee benefits expense	2.7	39,808	-
Other expenses	2.8	1,065	1,349
Total expenses		<u>40,873</u>	<u>1,349</u>
Profit / (Loss) before tax		7,206	(1,349)
Tax expense		-	-
Profit / (Loss) for the year		<u>7,206</u>	<u>(1,349)</u>
Earnings per share			
Basic - Par value SGD 1 per share		14.41	(2.70)
Diluted - Par value SGD 1 per share		14.41	(2.70)
Number of shares used in computing earnings per share			
Basic		500,000	500,000
Diluted		500,000	500,000

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

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: 8 May 2015

Dr. Reddy's Singapore Pte. Ltd.**Cash Flow Statement**

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Profit / (Loss) before taxation	7,206	(1,349)
Adjustments:		
Depreciation and amortization expense		
Effect of foreign exchange gain	271	1,074
Operating cash flows before working capital changes	7,477	(275)
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(25,998)	-
Other assets and liabilities, net	9,790	270
Cash generated from / (used in) operations	(8,731)	(6)
Income taxes paid, net	-	-
Net cash from / (used in) operating activities	(8,731)	(6)
Cash flows from / (used in) financing activities		
Proceeds from issuance of share capital	-	24,869
Net cash from / (used in) financing activities	-	24,869
Net increase / (decrease) in cash and cash equivalents	(8,731)	24,864
Cash and cash equivalents at the beginning of the year	23,791	-
Effect of foreign exchange gain on cash and cash equivalents	(690)	(1,073)
Cash and cash equivalents at the end of the year	14,370	23,791
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	14,370	23,791
Cash and bank balances at the end of the year	14,370	23,791

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: 8 May 2015

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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 and are not discounted to its present value.

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.

f) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

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 2015	As at 31 March 2014
Authorised		
500,000 (previous year : 500,000) equity shares of SGD 1 each	<u>24,869</u>	<u>24,869</u>
Issued		
500,000 (previous year : 500,000) equity shares of SGD 1 each	<u>24,869</u>	<u>24,869</u>
Subscribed and paid-up		
500,000 (previous year : 500,000) equity shares of SGD 1 each	<u>24,869</u>	<u>24,869</u>
	<u>24,869</u>	<u>24,869</u>

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

Particulars	As at 31 March 2015		As at 31 March 2014	
	No. of equity shares	Amount	No of equity shares	Amount
Number of shares outstanding at the beginning of the year	500,000	24,869	-	-
Add: Shares issued during the year			500,000	24,869
Number of shares outstanding at the end of the year	500,000	24,869	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 2015		As at 31 March 2014	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
Dr. Reddy's Laboratories SA	500,000	100	500,000	100

2.2 : Reserves and surplus

	As at 31 March 2015	As at 31 March 2014
Surplus / (Deficit)		
Balance at the beginning of the period	(1,349)	-
Add: Current period profit / (loss)	<u>7,206</u>	<u>(1,349)</u>
Balance carried forward	<u>5,857</u>	<u>(1,349)</u>

2.3 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Accrued expenses	665	271
Salary and bonus payable	6,437	-
Other current liabilities	<u>2,630</u>	<u>-</u>
	<u>9,732</u>	<u>271</u>

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 : Trade receivables

	As at 31 March 2015	As at 31 March 2014
Unsecured		
Other debts		
Considered good	25,997	-
	<u>25,997</u>	<u>-</u>

2.5 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Bank balances		
In current accounts	14,370	23,791
	<u>14,370</u>	<u>23,791</u>

2.6 : Short term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Staff loans and advances	91	-
	<u>91</u>	<u>-</u>

2.7 : Employee benefits expense

	For the period 1 April 2014 to 31 March 2015	For the period 22 October 2013 to 31 March 2014
Salaries, wages and bonus	38,599	-
Staff welfare expenses	1,209	-
	<u>39,808</u>	<u>-</u>

2.8 : Other expenses

	For the period 1 April 2014 to 31 March 2015	For the period 22 October 2013 to 31 March 2014
Legal and professional	726	274
Foreign exchange loss, net	326	1,075
Other general expenses	13	-
	<u>1,065</u>	<u>1,349</u>

Dr. Reddy's Singapore Pte. Ltd.

Notes to Financial Statements

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

2.9 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2015 (previous year: Nil).

2.10 : Related party disclosures

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

Particulars	As at	
	31 March 2015	31 March 2014
Sales and services rendered to holding company or other companies within the group		
Dr. Reddy's Laboratories SA	48,079	-
Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's Laboratories SA	25,997	-

2.11 : 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: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

Dr. Reddy's Srl
Balance Sheet

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

	Note	As at 31 March 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	6,234	6,234
Reserves and surplus	2.2	(804,388)	(1,026,795)
		(798,154)	(1,020,561)
Non current liabilities			
Long term borrowings	2.3	791,498	940,955
		791,498	940,955
Current liabilities			
Trade payables	2.5	4,758	8,376
Other current liabilities	2.4	41,595	164,549
		46,353	172,925
	TOTAL	39,697	93,319
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	239	313
		239	313
Current assets			
Inventories	2.7	-	907
Trade receivables	2.8	9,946	21,850
Cash and bank balances	2.9	20,957	56,600
Short term loans and advances	2.10	8,555	13,649
		39,458	93,006
	TOTAL	39,697	93,319

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: 8 May 2015

for and on behalf of the Board of Directors

Sameer Natu

Director

Subir Kohli

Director

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 2015	For the year ended 31 March 2014
Income			
Sales, net		28,287	86,732
License fees		55,266	21,729
Revenue from operations		83,553	108,461
Other income	2.11	-	3,832
Total revenue		83,553	112,293
Expenses			
Purchase of stock-in-trade (traded goods)		11,178	18,770
Changes in inventories of stock-in-trade	2.12	907	7,773
Employee benefits expense	2.13	6,328	15,053
Depreciation and amortization expense	2.6	18	582
Other expenses	2.14	28,430	73,688
Total expenses		46,861	115,866
Profit / (Loss) before tax		36,692	(3,573)
Tax expense		-	-
Profit / (Loss) for the year		36,692	(3,573)
Earnings per share			
Basic - Par value EUR 1 per share		370.63	(36.09)
Diluted - Par value EUR 1 per share		370.63	(36.09)
Number of shares used in computing earnings per share			
Basic		99,000	99,000
Diluted		99,000	99,000

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: 8 May 2015

for and on behalf of the Board of Directors

Sameer Natu

Director

Subir Kohli

Director

Dr. Reddy's Srl
Cash Flow Statement

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Profit/(loss) before taxation	36,692	(3,573)
Adjustments:		
Depreciation and amortization expense	18	582
Effect of foreign exchange gain/(loss)	-	(3,730)
Interest income	-	(102)
Provision for inventory obsolescence	(456)	(598)
Reversal of provision for doubtful debts, net	(2,748)	(7,676)
Operating cash flows before working capital changes	33,506	(15,097)
<i>Changes in operating assets and liabilities</i>		
Trade receivables	11,755	84,435
Inventories	1,306	9,841
Trade payables	(2,362)	(48,130)
Other assets and liabilities, net	(105,262)	(18,357)
Cash generated from / (used in) operations	(61,058)	12,691
Income taxes paid, net	-	-
Net cash from / (used in) operating activities	(61,058)	12,691
Cash flows from / (used in) investing activities		
(Increase)/ decrease in deposit accounts (having original maturity of more than 3 months) and other bank balances	12,867	2,491
Interest received	-	102
Net cash from in investing activities	12,867	2,593
Cash flows from / (used in) financing activities		
Proceeds from / (repayment of) long term borrowings, net	32,183	(23,793)
Net cash used in financing activities	32,183	(23,793)
Net decrease in cash and cash equivalents	(16,008)	(8,509)
Cash and cash equivalents at the beginning of the year	41,717	39,620
Effect of foreign exchange gain on cash and cash equivalents	(6,768)	10,606
Cash and cash equivalents at the end of the year	18,941	41,717
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	18,941	41,717
Other bank balances	2,016	14,883
Cash and bank balances at the end of the year	20,957	56,600

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

Subir Kohli
Director

Place: Hyderabad
Date: 8 May 2015

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

Management's estimates of the useful lives for various categories of fixed assets are 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.

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)

f) Inventories

Inventories are valued at the lower of cost and net realisable value (NRV). Cost of inventories comprises all cost of purchase, production or conversion costs and other costs incurred in bringing the inventories to their present location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. The cost of all categories of inventory is determined using weighted average cost method. 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.

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 and are not discounted to its present value.

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) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

k) 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. The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. 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 2015	As at 31 March 2014
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 2015		As at 31 March 2014	
	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 2015		As at 31 March 2014	
	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 2015	As at 31 March 2014
Foreign currency translation reserve		
Balance at the beginning of the year	(202,913)	(41,363)
Movement during the year	<u>185,715</u>	<u>(161,550)</u>
	<u>(17,198)</u>	<u>(202,913)</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	(836,924)	(833,351)
Add: Current year profit / (loss)	<u>36,692</u>	<u>(3,573)</u>
Balance carried forward	<u>(800,232)</u>	<u>(836,924)</u>
	<u>(804,388)</u>	<u>(1,026,795)</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)

2.3 : Long term borrowings

	As at 31 March 2015	As at 31 March 2014
<i>Unsecured</i>		
Borrowings from holding company and other group companies	791,498	940,955
	<u>791,498</u>	<u>940,955</u>

2.4 : Other liabilities

	As at 31 March 2015	As at 31 March 2014
Due to holding company and other group companies	8,785	77,685
Accrued expenses	20,012	28,725
Due to statutory authorities	349	5,096
Others	12,449	53,043
	<u>41,595</u>	<u>164,549</u>

2.5 : Trade payables

	As at 31 March 2015	As at 31 March 2014
Payables to holding company and other group companies	4,758	8,376
	<u>4,758</u>	<u>8,376</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)

2.6 : Fixed assets

Description	Gross Block					Depreciation / Amortisation					Net Block	
	As at 01.04.2014	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Office equipments	3,701	-	-	(694)	3,007	3,388	18	-	(637)	2,769	239	313
Total tangible assets (A)	3,701	-	-	(694)	3,007	3,388	18	-	(637)	2,769	239	313
Product related intangible	151,839	-	-	-	151,839	151,839	-	-	-	151,839	-	-
Other Intangibles	10,734	-	-	-	10,734	10,734	-	-	-	10,734	-	-
Total intangible assets (B)	162,573	-	-	-	162,573	162,573	-	-	-	162,573	-	-
Total (A+B)	166,274	-	-	(694)	165,580	165,960	18	-	(637)	165,341	239	313
Previous year	141,129	-	-	25,145	166,274	140,365	582	-	25,013	165,960	313	

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 2015	As at 31 March 2014
Stock-in-trade	-	907
	<u>-</u>	<u>907</u>

2.8 : Trade receivables

	As at 31 March 2015	As at 31 March 2014
Unsecured		
Debts outstanding for a period exceeding six months		
Considered doubtful	25,763	35,723
Other debts		
Considered good	9,946	21,850
	<u>35,709</u>	<u>57,573</u>
<i>Less</i> : Provision for doubtful debts	<u>(25,763)</u>	<u>(35,723)</u>
	<u>9,946</u>	<u>21,850</u>

2.9 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Cash on hand	32	10
Bank balances		
In current accounts	18,909	41,707
Cash and cash equivalents (A)	<u>18,941</u>	<u>41,717</u>
In term deposit accounts (original maturity more than 3 months)	2,016	14,883
Other bank balances (B)	<u>2,016</u>	<u>14,883</u>
Total cash and bank balances (A+B)	<u><u>20,957</u></u>	<u><u>56,600</u></u>

2.10 : Short term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Advances to material suppliers	1,042	1,283
Balances with statutory agencies	6,778	10,344
Prepaid expenses	541	939
Other advances	194	1,083
	<u>8,555</u>	<u>13,649</u>

2.11 : Other income

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest income	-	102
Foreign exchange gain, net	-	3,730
	<u>-</u>	<u>3,832</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 2015	For the year ended 31 March 2014
<i>Opening</i>		
Stock-in-trade	907	8,680
<i>Closing</i>		
Stock-in-trade	-	907
<i>Net decrease in stock</i>	<u>907</u>	<u>7,773</u>

2.13 : Employee benefits expense

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	6,030	14,290
Staff welfare expenses	298	763
	<u>6,328</u>	<u>15,053</u>

2.14 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Legal and professional	23,166	36,660
Carriage outward	1,752	2,276
Commision on Sales	-	6,161
Selling expenses	721	2,431
Travelling and conveyance	569	1,642
Rent	511	222
Insurance	296	497
Provision / (reversal of provision) for doubtful debts and advances	(2,748)	(7,676)
Other general expenses	4,163	31,475
	<u>28,430</u>	<u>73,688</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 2015 (previous year: Nil).

2.16 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i. Operating expense paid / payable to holding company and other group companies:		
Reddy Pharma Italia S.p.A	2,497	28,664
Dr. Reddy's Laboratories Limited	-	2,049
ii. Purchases and services received from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	7,802	19,977
Dr. Reddy's Laboratories (UK) Limited	1,304	-

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

Particulars	As at 31 March 2015	As at 31 March 2014
i. Due to holding company and other group companies (included in borrowings and other liabilities):		
Reddy Pharma Italia S.p.A	800,283	1,018,640
ii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	4,758	8,376

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 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

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 8 May 2015

for and on behalf of the Board of Directors

Sameer Natu

Director

Subir Kohli

Director

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

Dr. Reddy's Venezuela, C.A.**Balance Sheet**

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

	Note	As at 31 March 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	583	584
Reserves and surplus	2.2	4,429	(359)
		<u>5,012</u>	<u>225</u>
Non current liabilities			
Long term borrowings	2.3	831	-
		<u>831</u>	<u>-</u>
Current liabilities			
Trade payables	2.4	25,996	1,207
Other current liabilities	2.5	752	453
Short term provisions	2.6	7,422	2
		<u>34,170</u>	<u>1,662</u>
	TOTAL	<u>40,013</u>	<u>1,887</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	1,034	-
Capital work-in-progress		380	-
Deferred tax assets, net		290	-
		<u>1,704</u>	<u>-</u>
Current assets			
Inventories	2.8	5,736	648
Trade receivables	2.9	13,436	751
Cash and bank balances	2.10	17,957	255
Short term loans and advances	2.11	1,180	233
		<u>38,309</u>	<u>1,887</u>
	TOTAL	<u>40,013</u>	<u>1,887</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

Kolli Srinivasa Reddy

Finance Head

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 8 May 2015

Dr. Reddy's Venezuela, C.A.**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 2015	For the year ended 31 March 2014
Income			
Sales, net		81,264	2,948
Other operating revenues		42	-
Revenue from operations		81,306	2,948
Foreign exchange gain, net		-	45
Total revenue		81,306	2,992
Expenses			
Purchase of stock-in-trade (traded goods)		46,721	2,636
Changes in inventories of stock-in-trade		(5,088)	(648)
Employee benefits expense	2.12	9,185	92
Finance costs	2.13	69	26
Depreciation and amortization expense	2.7	66	-
Other expenses	2.14	18,466	773
Total expenses		69,419	2,879
Profit before tax		11,887	114
Tax expense			
Current tax		7,370	-
Deferred tax		(271)	-
Profit for the year		4,788	114
Earnings per share			
Basic - Par value VEF 430 per share		45,029.62	1,068.00
Diluted - Par value VEF 430 per share		45,029.62	1,068.00
Number of shares used in computing earnings per share			
Basic		10,633	10,633
Diluted		10,633	10,633

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

Kolli Srinivasa Reddy
Finance HeadA Ramachandra Rao
Partner
Membership No. 9750Place: Hyderabad
Date: 8 May 2015

Dr. Reddy's Venezuela, C.A.**Cash Flow Statement**

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Profit before taxation	11,887	114
Adjustments:		
Depreciation and amortization expense	66	-
Foreign exchange (gain) / loss, net	8,343	(16)
Allowance for sales returns	(3)	3
Finance costs	69	26
Provision for doubtful debts, net	2	-
Operating cash flows before working capital changes	20,365	127
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(16,879)	(697)
Inventories	(5,088)	(648)
Trade payables	24,198	1,217
Other assets and liabilities, net	1,460	172
Cash generated from operations	24,056	170
Income taxes paid, net	-	-
Net cash from operating activities	24,056	170
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(1,480)	-
Net cash used in investing activities	(1,480)	-
Cash flows from / (used in) financing activities		
Proceeds from borrowings, net	795	-
Interest paid	(51)	(26)
Net cash from / (used in) financing activities	743	(26)
Net increase in cash and cash equivalents	23,319	144
Cash and cash equivalents at the beginning of the year	255	102
Effect of foreign exchange gain on cash and cash equivalents	(5,618)	9
Cash and cash equivalents at the end of the year	17,957	255
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	17,957	255
Other bank balances	-	-
Cash and bank balances at the end of the year	17,957	255

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

Kolli Srinivasa Reddy
Finance Head

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 8 May 2015

Dr. Reddy's Venezuela, C.A.
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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

Assets acquired on finance leases and leasehold improvements are depreciated over the period of the lease agreement or the useful life whichever is shorter. Land is not depreciated.

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

	Years
Lease hold improvements	5 to 11
Furniture and fixtures and office equipment	3 to 8

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

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.

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 Venezuela, C.A.
Significant accounting policies

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

Note 1: Significant accounting policies (continued)

e) Inventories

Inventories are valued at the lower of cost and net realisable value (NRV). Cost of inventories comprises all cost of purchase, production or conversion costs and other costs incurred in bringing the inventories to their present location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. The cost of all categories of inventory is determined using weighted average cost method. 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.

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) 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.

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 and are not discounted to its present value.

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.

i) 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.

In the circumstances where there are several exchange rates available within a country, or where the closing exchange rate does not reflect the amount that is likely to be realized, then the relevant monetary items are translated using a rate that best represents the amount which is likely to be realized from, or required to disburse, such item at the balance sheet date.

Dr. Reddy's Venezuela, C.A.
Significant accounting policies

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

Note 1: Significant accounting policies (continued)

j) Leases

At the inception of the lease, a lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the 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.

k) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

l) 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. The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. 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 Venezuela, C.A.

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 2015	As at 31 March 2014
Issued*		
10,633 (Previous year : 10,633) shares of VEF 430 each	<u>583</u>	<u>583</u>
Subscribed and paid-up		
10,633 (Previous year : 10,633) shares of VEF 430 each	<u>583</u>	<u>583</u>
	<u>583</u>	<u>583</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 2015		As at 31 March 2014	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	10,633	583	10,633	583
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	10,633	583	10,633	583

(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 2015		As at 31 March 2014	
	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 2015	As at 31 March 2014
Deficit		
Balance at the beginning of the year	(359)	(473)
Add: Current year profit / (loss)	4,788	114
Balance carried forward	<u>4,429</u>	<u>(359)</u>

2.3 : Long term borrowings

	As at 31 March 2015	As at 31 March 2014
Borrowings from holding company and other group companies:	<u>831</u>	<u>-</u>
	<u>831</u>	<u>-</u>

Dr. Reddy's Venezuela, C.A.**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 2015	As at 31 March 2014
Payables to holding company and other group companies	24,454	1,205
Payables to others	1,542	2
	<u>25,996</u>	<u>1,207</u>

2.5 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Accrued expenses	288	452
Salary and bonus payable	-	1
Due to statutory authorities	43	-
Others	421	1
	<u>752</u>	<u>453</u>

2.6 : Short term provisions

	As at 31 March 2015	As at 31 March 2014
Allowance for sales returns	-	2
Income tax payable	7,422	-
	<u>7,422</u>	<u>2</u>

Dr. Reddy's Venezuela, C.A.

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

Particulars	Gross Block				Depreciation / Amortization				Net Block	
	As at 01.04.2014	Additions	Deletions	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Leasehold improvements	-	252	-	252	-	4	-	4	248	-
Furniture & Fixtures	-	204	-	204	-	3	-	3	201	-
Lab Equipment	-	562	-	562	-	36	-	36	526	-
Office equipment	-	82	-	82	-	23	-	23	59	-
Total	-	1,100	-	1,100	-	66	-	66	1,034	-
Previous year	-	-	-	-	-	-	-	-	-	-

Dr. Reddy's Venezuela, C.A.

Notes to Financial Statements

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

Note 2: Notes to financial statements

2.8 : Inventories

	As at 31 March 2015	As at 31 March 2014
Stock-in-trade	5,736	648
	<u>5,736</u>	<u>648</u>

2.9 : Trade receivables

	As at 31 March 2015	As at 31 March 2014
Unsecured		
Debts outstanding for a period exceeding six months		
Considered good	88	1
Other debts		
Considered good	13,348	750
	<u>13,436</u>	<u>751</u>

2.10 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Bank balances		
In current accounts	17,957	255
	<u>17,957</u>	<u>255</u>

(a) Balance in current accounts is subject to foreign exchange controls.

Dr. Reddy's Venezuela, C.A.**Notes to Financial Statements**

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

Note 2: Notes to financial statements (continued)**2.11 : Short term loans and advances**

Unsecured	As at 31 March 2015	As at 31 March 2014
<i>Considered good</i>		
Prepaid expenses	273	2
Staff loans and advances	288	14
Advances to material suppliers	619	-
Other advances	-	218
	<u>1,180</u>	<u>233</u>

2.12 : Employee benefits expense

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	5,213	61
Contribution to provident and other funds	3,403	29
Staff welfare expenses	569	1
	<u>9,185</u>	<u>92</u>

2.13 : Finance costs

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest expenses	69	26
	<u>69</u>	<u>26</u>

2.14 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Legal and professional	126	7
Conversion charges	247	-
Rates and taxes	1,760	73
Foreign exchange loss, net	8,274	-
Rent	181	12
Insurance	230	1
Selling expenses	6,833	532
Travelling and conveyance	220	11
Other general expenses	595	138
	<u>18,466</u>	<u>773</u>

Dr. Reddy's Venezuela, C.A.**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**

There were no commitments or contingent liabilities as at 31 March 2015 (previous year: Nil).

2.16: Deferred taxation

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

Particulars	As at	As at
	31 March 2015	31 March 2014
Deferred tax assets / (liabilities)		
Trade receivables	1	-
Inventories	76	-
Current Liabilities	213	-
Deferred Tax Asset, net	290	-

2.17: Related party disclosures

a. The Company has the following related party transactions

Particulars	As at	As at
	31 March 2015	31 March 2014
i. Purchases and services received from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	35,788	1,879
Dr. Reddy's Laboratories (UK) Limited	1,100	-
ii. Interest paid/payable to holding company and other group companies:		
Dr. Reddy's Laboratories SA	18	-

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

Particulars	For the year ended	For the year ended
	31 March 2015	31 March 2014
i. Due to holding company and other group companies (included in trade payables and borrowings):		
Dr. Reddy's Laboratories Limited	23,331	1,205
Dr. Reddy's Laboratories (UK) Limited	1,123	-
Dr. Reddy's Laboratories SA	831	-

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 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

Kolli Srinivasa Reddy

Finance Head

Place: Hyderabad

Date: 8 May 2015

DRL Impex Limited
Board's Report

Dear Members,

Your Directors present the 28th Board's Report of the Company for the year ended 31 March 2015.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2014-15 as compared to previous financial year:

Particulars	31 March 2015	31 March 2014
Profit/(Loss) for the period after taxation	(59,709)	59,245
Balance brought forward	(680,406)	(739,651)
Balance carried forward to Balance Sheet	(740,115)	(680,406)

(Rs. in thousands)

State of Company's Affairs

The Company did not have any significant operations during the year.

Dividend

Your Directors do not recommend any dividend for the financial year ending 31 March 2015.

Share Capital

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

Fixed Deposits

The Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013.

Material Changes and Commitments Affecting the Financial Position of the Company

There were no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of this report.

Subsidiaries and Associates

The Company had one wholly owned subsidiary: I-Ven Pharma Capital Limited, which was liquidated during the year under review. The final order of liquidation, dated December 4, 2014 issued by the Hon'ble High Court of Karnataka, for dissolution of I-Ven Pharma Capital Limited was filed with the Registrar of Companies, Bangalore, Karnataka on January 8, 2015.

Particulars of Loans, Guarantees or Investments

The Company has not given any loans or guarantees nor made any investments during the year.

Number of Board meetings

The Company's Board met six times during the year: 9 May 2014, 29 July 2014, 25 September 2014, 27 October 2014, 27 January 2015 and 20 March 2015.

Board of Directors

Pursuant to provisions of Section 152 of the Companies Act, 2013, Mr. Saumen Chakraborty (DIN: 06471520), retires by rotation at the ensuing Annual General Meeting and being eligible, seeks re-appointment. Your Directors recommend his re-appointment for approval at the ensuing Annual General Meeting.

During the year under review Mr. Satish Reddy (DIN: 00129701) resigned from the Board of Directors of the Company and ceased to be a Director of the Company with effect from 25 September 2014. The Board accorded its deep appreciation for the services rendered by him during his term.

Pursuant to the provisions of Section 152 and 161 of the Companies Act, 2013, the Board appointed Mr. Venkatanarasimham Mannam (DIN: 02677423) as Additional Director on 25 September 2014. He shall hold office till the ensuing Annual General Meeting of the Company. Further, pursuant to provisions of Section 149, 152 and 161 read with Schedule IV of the Companies Act, 2013, the Board also appointed Mr. Garimella Venkata Rathnam (DIN: 02425882) as Additional Directors on 20 March 2015, categorized as Independent Director. Additionally Mr. Raghu Cidambi (DIN: 00030865) director of the Company, was also categorised as Independent Director on 20 March 2015. They shall hold office for a term of five consecutive years and not be liable to retire by rotation.

Mr. Raghu Cidambi and Mr. Garimella Venkata Rathnam have confirmed that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013.

The Board recommends the appointment of Mr. Raghu Cidambi and Mr. Garimella Venkata Rathnam as Independent Directors, to hold office for a term of five consecutive years, for approval of the members at the ensuing Annual General Meeting. The Board also recommends the appointment of Mr. Venkatanarasimham Mannam as a Director to the members for approval at the ensuing Annual General Meeting. The requisite notice under Section 160 of the Companies Act, 2013 has been received from a member proposing their appointment.

The brief profiles of Mr. Venkatanarasimham Mannam, Mr. Raghu Cidambi and Mr. Garimella Venkata Rathnam are given in the Statement pursuant to Section 102(1) of the Companies Act, 2013 annexed to the Notice of the Annual General Meeting for reference of the shareholders.

Audit Committee

Your Company constituted Audit Committee in compliance with the provisions of Section 177 of the Companies Act, 2013 during the year. Presently, the Committee comprises of Mr. Saumen Chakraborty as Chairman of the Committee, Mr. Garimella Venkata Rathnam (Independent Director) and Mr. Raghu Cidambi (Independent Director).

Nomination & Remuneration Committee

Your Company constituted Nomination and Remuneration Committee in compliance with the provisions of Section 178 of the Companies Act, 2013, during the year. Presently, the Committee comprises of Mr. Raghu Cidambi (Independent Director) as Chairman, Mr. Garimella Venkata Rathnam (Independent Director) and Mr. Saumen Chakraborty.

Corporate Social Responsibility

Your Company constituted Corporate Social Responsibility (CSR) Committee in compliance with the provisions of Section 135 of the Companies Act, 2013, during the year. Presently, the Committee comprises of Mr. Raghu Cidambi (Independent Director) as Chairman, Mr. Saumen Chakraborty and Mr. Venkata Narasimham Mannam.

Pursuant to these provisions, during the year, the Company was required to spend atleast two per cent of its average net profits made during the three immediately preceeding financial years on CSR initiatives. However, since the average net profit for the three preceeding financial years was negative, the provisions for spending two per cent on CSR initiatives were not applicable to the Company during the year under review.

Appointment of Directors and Remuneration Policy

The Board shortlists individual candidates for appointment as directors on the basis of their qualifications, positive attributes, personal and professional standing. Thereafter, the Board collectively decides to appoint one of the shortlisted candidates out of the prospective candidates. The potential Independent Directors are also assessed on the basis of criteria of independence defined in Section 149(6) of the Companies Act, 2013.

Risk Management and Adequacy of Internal Financial Controls with Reference to Financial Statements

Your Company is guided by the holding company, Dr. Reddy's Laboratories Limited's (DRL) policies. Accordingly, the philosophies, policies or procedures relating to internal controls over Financial Accounting, Risk Management and Compliance of DRL are applicable to your Company as well. Identified key risks and internal control matters pertaining to your Company, if any, are reviewed by the DRL's Internal Audit and Risk Management teams, discussed with management and suitably updated to DRL's Board.

Directors' Responsibility Statement

In terms of Section 134(5) of the Companies Act, 2013, your Directors state that:

1. applicable accounting standards have been followed in the preparation of the annual accounts;
2. accounting policies have been selected and applied consistently. Reasonable and prudent judgments and estimates were made, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2014-15 and of the loss of the Company for that period;
3. proper and sufficient care has been taken to maintain 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. annual accounts have been prepared on a going concern basis; and
5. proper systems have been devised to ensure compliance with the provisions of all applicable laws and these systems were adequate and operating effectively.

Related Party Transactions

The Company does not have any transactions with related parties, except with its holding company Dr. Reddy's Laboratories Limited. Hence the relevant provisions are not applicable to your Company.

Statutory Auditors

The Statutory Auditors of the Company M/s. A. Ramachandra Rao & Co., Chartered Accountants, retire at the ensuing 28th Annual General Meeting. They have confirmed their eligibility to act as Statutory Auditors under Section 141 of the Companies Act, 2013 and Rule 4 of the Companies (Audit and Auditors) Rules, 2014, 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 2015-16 for shareholder's approval.

There are no qualifications, reservations or adverse remarks made by the Statutory Auditors in their report.

Significant and Material Orders passed by the Court/Regulators

During the year under review, there were no significant and/or material orders, passed by any Court or Regulators or Tribunal which may impact the going concern status or the Company's operations in future

Particulars of Employees

None of the employees of the Company draw salary more than the amount as specified under the provisions of Section 197(12) of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended from time to time. Hence the relevant provisions are not applicable to your Company.

Conservation of energy, Technology Absorption, Foreign exchange earnings and outgo

The particulars as prescribed under Section 134(3)(m) of the Companies Act, 2013, read with the Companies (Accounts) Rules, 2014 relating to conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Extract of the Annual Return

The details forming part of the extract of the Annual Return in Form MGT-9 are attached as 'Annexure I' to this Report.

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 2015

Venkatanarasimham Mannam
Director

**FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN**

As on the financial year ended on 31 March, 2015

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

Sl. No.	Particulars	Details
i)	CIN	U65990TG1986PLC006695
ii)	Registration Date	18 Aug 1986
iii)	Name of the Company	DRL Impex Limited
iv)	Category/Sub-Category of the Company	Public Company / Limited by Shares
v)	Address of the Registered office and contact details	7-1-27, Ameerpet, Hyderabad, Telangana-500016
vi)	Whether listed company Yes/No	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	NA

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company are given below:

Sl. no.	Name and Description of main products/services	NIC Code of the product/ service	% to total turnover of the company
NA			

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. no.	Name of the Company	Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held*	Applicable Section
1	Dr. Reddy's Laboratories Limited	8-2-337, Road no. 3, Banjara Hills, Hyderabad-500034	L85195TG1984PLC004507	Holding	100	2(46)

* Represents aggregate % of shares held by the Company.

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A. PROMOTERS									
(1) Indian									
a) Individual/HUF	0	0	0	0	0	0	0	0	0
b) Central Govt.	0	0	0	0	0	0	0	0	0
c) State Govt(s).	0	0	0	0	0	0	0	0	0
d) Bodies Corp.	0	50,000	50,000	100	0	50,000	50,000	100	0
e) Banks/FI	0	0	0	0	0	0	0	0	0
f) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(1)	0	50,000	50,000	100	0	50,000	50,000	100	0
(2) Foreign									
a) NRIs-Individuals	0	0	0	0	0	0	0	0	0
b) Other-Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks/FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(2)	0	0	0	0	0	0	0	0	0
Total shareholding of Promoter (A)=(A)(1)+(A)(2)	0	50,000	50,000	100	0	50,000	50,000	100	0
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual funds/UTI	0	0	0	0	0	0	0	0	0
b) Banks/FI	0	0	0	0	0	0	0	0	0

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
c) Central Govt.	0	0	0	0	0	0	0	0	0
d) State Govt(s).	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIIs	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
Sub-total (B)(1)	0	0	0	0	0	0	0	0	0
(2) Non-Institutions									
a) Bodies Corp	0	0	0	0	0	0	0	0	0
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0
i) Individual shareholders holding nominal share capital upto Rs.1 lakh	0	0	0	0	0	0	0	0	0
ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh	0	0	0	0	0	0	0	0	0
c) Others (specify)									
c-i) Trust	0	0	0	0	0	0	0	0	0
c-ii) Clearing Member	0	0	0	0	0	0	0	0	0
c-iii) NRIs	0	0	0	0	0	0	0	0	0
c-iv) Foreign Nationals	0	0	0	0	0	0	0	0	0
Sub-total (B)(2)	0	0	0	0	0	0	0	0	0
Total Public Shareholding (B)=(B)(1)+ (B)(2)	0	0	0	0	0	0	0	0	0
C. SHARES HELD BY CUSTODIAN FOR GDRS & ADRS	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	0	50,000	50,000(*)	100	0	50,000	50,000(*)	100	0

(*) Out of 50,000 equity shares, 6 equity shares are held by six individuals as nominee shareholders on behalf of Dr. Reddy's Laboratories Limited, Holding Company.

ii) Shareholding of Promoters

Sr. no.	Category of Shareholders	No. of shares held at the beginning of the year			No. of shares held at the end of the year			% change during the year
		No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares*	No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares*	
1	Dr. Reddy's Laboratories Limited	50,000	100	0	50,000	100	0	0
		50,000	100	0	50,000	100	0	0

iii) Change in Promoters' Shareholding

	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
At the beginning of the year	50,000	100	50,000	100
Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/ transfer/bonus/sweat equity etc):	0	0	0	0
At the End of the year	50000	100	50,000	100

iv) Shareholding pattern of top ten Shareholders (other than Directors, Promoters and holders of GDRs and ADRs)

Name	Shareholding at the beginning of the year		Shareholding at the end of the year	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
NIL				

v) Shareholding of Directors and Key Managerial personnel

Sr. no.	Name	Date	Shareholding at the beginning of the year		Increase / (Decrease) in Shareholding, if any	Reason	Cumulative Shareholding during the year	
			No. of Shares (*)	% of total shares of the company			No. of Shares	% of total shares of the company
A. DIRECTORS								
1	Mr. Saumen Chakraborty (Director)	01.04.2014	1	0	0	0	1	0
		31.03.2015	1	0	0	0	1	0
2	Mr. Venkatanarasimham Mannam (Director)**	01.04.2014	1	0	0	0	1	0
		31.03.2015	1	0	0	0	1	0
3	Mr. Raghu Cidambi (Independent Director)	01.04.2014	0	0	0	0	0	0
		31.03.2015	0	0	0	0	0	0
4	Mr. Garimella Venkata Rathnam (Independent Director)***	01.04.2014	0	0	0	0	0	0
		31.03.2015	0	0	0	0	0	0
B. KEY MANAGEMENT PERSONNEL (KMPs) - Nil								

* Held as Nominee shareholders on behalf of Dr. Reddy's Laboratories Limited, Holding Company.

** Appointed on 25th September 2014

*** Appointed on 20th March 2015

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year (April 1, 2014)				
i) Principal Amount	-	20,370	-	20,370
ii) Interest due but not paid	-	84	-	84
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	20,454	-	20,454
Change in Indebtedness during the financial year				
Addition	-	316	-	-
Reduction	-	(13,180)	-	-
Net Change	-	(12,864)	-	-
Indebtedness at the end of the financial year (March 31, 2015)				
i) Principal Amount	-	7,587	-	7,587
ii) Interest due but not paid	-	3	-	3
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	7,590	-	7,590

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A) Remuneration of Managing Director, Whole-time Director and/or Manager - Not applicable

B) Remuneration of other directors - No remuneration was paid to directors.

C) Remuneration of Key Managerial Personnel other than MD/WTD/Manager - No remuneration was paid to the Key Managerial Personnel.

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES

There were no penalties/punishments/compounding of offences during the year.

Independent Auditor's Report

To
**The Members of
DRL Impex Limited**

Report on the Financial Statements

We have audited the accompanying financial statements of **DRL Impex Limited** which comprise the Balance Sheet as at 31 March 2015, and the Statement of Profit and Loss and the 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

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. 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 financial control relevant to the Company's preparation of the financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Company's Directors, 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 on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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, of the state of affairs of the Company as at 31 March 2015 and its profit/loss and its 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, 2015 ("the order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e) On the basis of written representations received from the directors as on 31 March, 2015, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2015, from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the other matters included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to our best of our information and according to the explanations given to us :
 - i. The Company does not have any pending litigations which would impact its financial position;
 - ii. The Company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses; and
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company;

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

A. Ramachandra Rao
Partner
Membership No. : 9750

Place: Hyderabad
Date: 9 May 2015

ANNEXURE TO THE AUDITORS' REPORT

Ref: DRL Impex Limited

(Of even date referred to in Para 1 of our Report)

- 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;
- ii. The company does not have any inventories during the year and hence, in our opinion, clauses 3(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, whether secured or unsecured, to the companies, firms or other parties covered in the Register maintained u/s Sec. 189 of the Companies Act, 2013 during the year. Hence sub clauses (a) and (b) of clause 3(iii) of the order are not applicable to the company for the year.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and also for the sale of goods and services, to the extent applicable. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v. Based on the information provided to us, the Company has not accepted any deposits during the year and hence, in our opinion, the Clause 4(v) is not applicable to the company for the year
- vi. Based on the explanations given to us, the Central Government has not prescribed any cost records and accounts, which are required to be maintained under section 148 of the Companies Act, 2013.
- vii. (a) According to the records of the company, the company is regular in depositing the undisputed statutory dues, to the extent applicable, including employees state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess with the appropriate authorities.
(b) According to the information and explanations given to us, there are no dues of VAT, income tax, customs duty, excise duty, wealth tax, service tax, cess to be deposited on account of any dispute.
Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.
(c) According to the information provided and explanations offered to us, the company is not required to transfer to Investor Education and Protection Fund any amounts in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made there under and hence this clause is not applicable to the Company.
- viii. 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 and in the immediately preceding financial year.
- ix. Based on the information provided and explanation given to us, the company has not taken any loans from banks and hence the clause 3(ix) is not applicable to the company for the year.
- x. Based on the information provided and explanations offered to us, the Company has not given guarantee for loans taken by others from Banks or Financial Institutions the terms and conditions whereof are prejudicial to the interest of the company.

- xi. According to the information and explanations given to us, the company has not obtained any term loans during the year and hence clause 3(xi) of the order is not applicable to the company.
- xii. 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 2015

DRL Impex Limited**Balance Sheet**

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

	Note	As at 31 March 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	500	500
Reserves and surplus	2.2	(740,115)	(680,406)
		<u>(739,615)</u>	<u>(679,906)</u>
Non current liabilities			
Long term borrowings	2.3	758,962	2,045,357
		<u>758,962</u>	<u>2,045,357</u>
Current liabilities			
Other current liabilities	2.4	820	908
		<u>820</u>	<u>908</u>
	TOTAL	<u>20,167</u>	<u>1,366,359</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	6,111	6,111
Intangible assets	2.5	-	1,235,314
Deferred tax assets, net		2,420	2,420
Long term loans and advances	2.6	7,694	7,806
		<u>16,225</u>	<u>1,251,651</u>
Current assets			
Trade receivables	2.7	-	111,757
Cash and bank balances	2.8	3,942	2,951
		<u>3,942</u>	<u>114,708</u>
	TOTAL	<u>20,167</u>	<u>1,366,359</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

Venkatanarasimham Mannam

Director

Place: Hyderabad

Date: 9 May 2015

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 2015	For the year ended 31 March 2014
Income			
License fees	2.9	90,757	136,757
Other income	2.10	29,641	1
Total revenue		120,398	136,758
Expenses			
Finance costs	2.11	35,157	42,628
Other expenses	2.12	51,281	(99,452)
Amortization expense	2.5	90,757	136,757
Total expenses		177,195	79,933
Profit / (Loss) before tax		(56,797)	56,825
Tax expense			
Current tax		2,912	-
Deferred tax		-	(2,420)
Profit / (Loss) for the year		(59,709)	59,245
Earnings per share			
	2.15		
Basic - Par value ₹ 10/- per share		(1,194.17)	1,184.89
Diluted - Par value ₹ 10/- per share		(1,194.17)	1,184.89
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

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

A Ramachandra Rao
Partner
Membership No. 9750

Saumen Chakraborty
Director

Venkatanarasimham Mannam
Director

Place: Hyderabad
Date: 9 May 2015

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 2015	For the year ended 31 March 2014
Cash flow from operating activities		
Profit/(Loss) before tax	(56,797)	56,825
Adjustments:		
Provision/(reversal of provision) for other than temporary diminution in the value of non current investments	-	(100,121)
Finance Cost	35,157	42,628
Profit on sale of Investments	(29,641)	-
Loss on sale of fixed assets	51,115	-
Amortisation	90,757	136,757
Operating cash flows before working capital changes	90,591	136,089
<i>Changes in operating assets and liabilities</i>		
Trade receivables	111,757	(111,757)
Long term loans and advances	112	-
Other current liabilities	(88)	(307)
Cash generated from /(used in)Operations	202,372	24,025
Income tax paid	(2,912)	(11,539)
Net cash provided by operating activities	199,460	12,486
Cash flows from/(used in) investing activities		
Proceeds from liquidation of subsidiary	-	565,839
Purchase of investments	(1,260,000)	-
Proceeds from sale of investments	1,289,641	-
Proceeds from sale of fixed assets	1,093,442	-
Net cash flows from investing activities	1,123,083	565,839
Cash flows from/(used in) financing activities		
Interest paid	(39,736)	(81,349)
Proceeds / (Repayment) of long term borrowings	(1,281,816)	(508,791)
Cash flows used in financing activities	(1,321,552)	(590,140)
Net increase/(decrease) in cash & bank balances	991	(11,815)
Cash & bank balances at the beginning of the year	2,951	14,766
Cash & bank balances at the end of the year	3,942	2,951

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

Venkatanarasimham Mannam

Director

Place: Hyderabad

Date: 9 May 2015

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

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

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.

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. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

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) 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 recognised 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.

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) 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.

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 individual investment. On disposal of an investment, the difference between the carrying amount and the disposal proceeds, net of expenses, is recognised in the profit and loss statement.

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.

On disposal of an investment, the difference between the carrying amount and the disposal proceeds, net of expenses is recognised in the statement of profit and loss.

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.

h) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

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 and are not discounted to its present value.

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. The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. 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.

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 2015	As at 31 March 2014
Authorised		
50,000 (previous year : 50,000) equity shares of ₹ 10/- each	500	500
	500	500
Issued		
50,000 (previous year : 50,000) equity shares of ₹ 10/- each fully paid up	500	500
	500	500
Subscribed and paid-up		
50,000 (previous year : 50,000) equity shares of ₹ 10/- each fully paid up	500	500
	500	500

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

Equity Shares

Particulars	As at 31 March 2015		As at 31 March 2014	
	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 2015		As at 31 March 2014	
	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 2015	As at 31 March 2014
Deficit		
Balance at the beginning of the year	(680,406)	(739,651)
Add: Current year Profit / (Loss)	(59,709)	59,245
Balance carried forward	(740,115)	(680,406)

2.3 : Long term borrowings

	As at 31 March 2015	As at 31 March 2014
Unsecured		
Long term borrowings from holding company	758,962	2,045,357
	758,962	2,045,357

2.4 Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Due to statutory authorities	674	773
Others	146	135
	820	908

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)**2.5 : Fixed assets**

Description	Gross Block				Depreciation / Amortization				Net Block	
	As at 01.04.2014	Additions	Deletions	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
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	90,757	227,514	-	-	1,235,314
Total intangible assets (B)	1,372,071	-	1,372,071	-	136,757	90,757	227,514	-	-	1,235,314
Total assets (A+B)	1,378,182	-	1,372,071	6,111	136,757	90,757	227,514	-	6,111	1,241,425
Previous year	6,111	1,372,071	-	1,378,182	-	136,757	-	136,757	1,241,425	

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: Long term loans and advances

	As at 31 March 2015	As at 31 March 2014
Advance tax	7,694	7,806
	<u>7,694</u>	<u>7,806</u>

2.7: Trade receivables

	As at 31 March 2015	As at 31 March 2014
Unsecured		
Debts outstanding for a period exceeding six months	-	-
Other debts		
Considered good	-	111,757
	<u>-</u>	<u>111,757</u>

2.8 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Bank balances		
In current accounts	3,942	2,951
	<u>3,942</u>	<u>2,951</u>

2.9 : Other operating revenue

	As at 31 March 2015	As at 31 March 2014
License fees	90,757	136,757
	<u>90,757</u>	<u>136,757</u>

2.10: Other Income

	As at 31 March 2015	As at 31 March 2014
Profit on sale of Current Investments, net	29,641	-
Interest received	-	1
	<u>29,641</u>	<u>1</u>

2.11: Finance costs

	As at 31 March 2015	As at 31 March 2014
Interest expense	35,157	42,628
	<u>35,157</u>	<u>42,628</u>

2.12 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Legal and professional	147	650
Rates and taxes	8	8
Auditors' remuneration	11	11
Loss on sale of Intangible assets (see note 2.13)	51,115	-
Provision/(reversal of provision) for other than temporary diminution in the value of non current investments (see note 2.13)	-	(100,121)
	<u>51,281</u>	<u>(99,452)</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)

2.13 : Long term investment in I-Ven Pharma Capital Limited

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 proceedings for voluntary members winding-up.

During the year ended 31 March 2014, as part of the liquidation proceedings of I-Ven, the Company, against its net investment of Rs. 1,837,789, received a total consideration of Rs. 1,937,910. A portion of such consideration, amounting to Rs. 1,372,071, was received in the form of transfer of intangible asset (future royalty rights) and the balance of Rs. 565,839 in the form of cash. Consequently, the permanent diminution in the value of long term investment in I-Ven which was recorded during the year ended 31 March 2013 was reversed by Rs.100,121 representing the excess of consideration received over the carrying value of investment.

Further, during the year ended 31 March 2015, the Company sold the intangible asset received from I-Ven to Dr. Reddy's Laboratories Limited for a sale consideration of Rs. 1,093,443. The carrying value of such intangible asset, net of amortisation, on the date of sale was Rs. 1,144,558. Accordingly, an amount of Rs. 51,115 representing the excess of net carrying amount over the sale consideration was recorded as loss on sale of intangible assets.

2.14 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2015 (previous year: Nil).

2.15 : Earnings per share

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
Profit / (Loss) for the year	(59,709)	59,245
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	(1,194.17)	1,184.89
Diluted Earnings/(Loss) in ₹ per share	(1,194.17)	1,184.89

2.16 : Related party transactions

a. The Company has following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i. Licence fees from holding company:		
Dr. Reddy's Laboratories Limited	90,757	136,757
ii. Interest payable to holding company:		
Dr. Reddy's Laboratories Limited	35,157	42,628
iii. Sale of assets to holding company:		
Dr. Reddy's Laboratories Limited	1,093,443	-

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

Particulars	As at 31 March 2015	As at 31 March 2014
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	758,962	2,045,357

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)

2.17 : 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

A Ramachandra Rao

Partner

Membership No. 9750

Saumen Chakraborty

Director

Place: Hyderabad

Date: 9 May 2015

Venkatanarasimham Mannam

Director

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

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 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	36,985	36,985
Reserves and surplus	2.2	110,846	111,806
		<u>147,831</u>	<u>148,791</u>
Non current liabilities			
Long term borrowings	2.3	3,879	2,328
		<u>3,879</u>	<u>2,328</u>
Current liabilities			
Other current liabilities	2.4	1,143	990
		<u>1,143</u>	<u>990</u>
	TOTAL	<u><u>152,853</u></u>	<u><u>152,109</u></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	801	57
		<u>801</u>	<u>57</u>
	TOTAL	<u><u>152,853</u></u>	<u><u>152,109</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

M V Ramana
Director

Place: Hyderabad
Date: 8 May 2015

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 2015	For the year ended 31 March 2014
Income			
Other income	2.7	753	-
Total revenue		753	-
Expenses			
Other expenses	2.8	1,713	1,851
Total expenses		1,713	1,851
Loss before tax		(960)	(1,851)
Tax expense		-	-
Loss for the year		(960)	(1,851)
Earnings per share			
Basic - Par value EUR 10 per share		(17.08)	(32.94)
Diluted - Par value EUR 10 per share		(17.08)	(32.94)
Number of shares used in computing earnings per share			
Basic		56,200	56,200
Diluted		56,200	56,200

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: 8 May 2015

Euro Bridge Consulting B.V.
Cash Flow Statement

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Loss before taxation	(960)	(1,851)
Adjustments:		
Foreign exchange (gain) / loss, net	(885)	326
Operating cash flows before working capital changes	(1,845)	(1,525)
<i>Changes in operating assets and liabilities</i>		
Other assets and liabilities, net	390	(155)
Cash used in operations	(1,455)	(1,680)
Income taxes paid, net	-	-
Net cash used in operating activities	(1,455)	(1,680)
Cash flows from / (used in) investing activities		
Net cash from / (used in) investing activities	-	-
Cash flows from / (used in) financing activities		
Proceeds from long term borrowings, net	2,325	-
Net cash from financing activities	2,325	-
Net increase / (decrease) in cash and cash equivalents	870	(1,680)
Cash and cash equivalents at the beginning of the year	57	1,487
Effect of foreign exchange gain on cash and cash equivalents	(126)	250
Cash and cash equivalents at the end of the year	801	57
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	801	57
Other bank balances	-	-
Cash and bank balances at the end of the year	801	57

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: 8 May 2015

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

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 individual investment.

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 and are not discounted to its present value.

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 profit after tax for the year by the weighted average number of equity shares outstanding during the year.

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 2015	As at 31 March 2014
Authorised		
100,000 (previous year : 100,000) equity shares of Euro 10 each	<u>55,863</u>	<u>55,863</u>
Issued		
56,200 (previous year : 56,200) equity shares of Euro 10 each	<u>36,985</u>	<u>36,985</u>
Subscribed and paid-up		
56,200 (previous year : 56,200) equity shares of Euro 10 each	<u>36,985</u>	<u>36,985</u>
	<u>36,985</u>	<u>36,985</u>

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

Particulars	As at 31 March 2015		As at 31 March 2014	
	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 2015		As at 31 March 2014	
	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 2015	As at 31 March 2014
Securities premium reserve		
Balance at the beginning of the year	122,519	122,519
Movement during the year	<u>-</u>	<u>-</u>
	<u>122,519</u>	<u>122,519</u>
Deficit		
Balance at the beginning of the year	(10,713)	(8,862)
Add: Current year loss	<u>(960)</u>	<u>(1,851)</u>
Balance carried forward	<u>(11,673)</u>	<u>(10,713)</u>
	<u>110,846</u>	<u>111,806</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)

2.3 : Long term borrowings

	As at 31 March 2015	As at 31 March 2014
Long term borrowings from holding company and other group companies	3,879	2,328
	<u>3,879</u>	<u>2,328</u>

2.4 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Other current liabilities	1,143	990
	<u>1,143</u>	<u>990</u>

2.5 : Non current investments

Non current investments at cost	As at 31 March 2015	As at 31 March 2014
<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 2015	As at 31 March 2014
Bank balances		
In current accounts	801	57
	<u>801</u>	<u>57</u>

2.7 : Other income

	For the year ended 31 March 2015	For the year ended 31 March 2014
Foreign exchnage gain, net	753	-
	<u>753</u>	<u>-</u>

2.8 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Legal and professional	1,692	1,538
Foreign exchange loss, net	-	291
Other general expenses	21	22
	<u>1,713</u>	<u>1,851</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 2015 (previous year: Nil).

2.10 : Related party disclosures

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

Particulars	As at 31 March 2015	As at 31 March 2014
Due to holding company and other group companies (included in long term borrowings):		
Reddy Antilles N.V.	3,879	2,328

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: 8 May 2015

Idea2Enterprises (India) Private Limited
Board's Report

Dear Members,

Your Directors present the 15th Board's Report of the Company for the year ended 31 March 2015.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2014-15 as compared to previous financial year:

Particulars	31 March 2015	31 March 2014
Profit/(Loss) for the period after taxation	(6)	(3)
Balance brought forward	(14,167)	(14,164)
Balance carried forward to Balance Sheet	(14,173)	(14,167)

(Rs. in thousands)

State of Company's Affairs

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 2015.

Share Capital

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

Fixed Deposits

The Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013.

Material Changes and Commitments Affecting the Financial Position of the Company

There were no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of this report.

Particulars of Loans, Guarantees or Investments

The Company has not given any loans or guarantees nor made any investments during the year.

Number of Board meetings

The Company's Board met four times during the year: 9 May 2014, 29 July 2014, 27 October 2014 and 27 January 2015.

Board of Directors

Pursuant to provisions of Section 152 of the Companies Act, 2013, Mr. Satish Reddy (DIN: 00129701), retires by rotation at the ensuing Annual General Meeting and being eligible, seeks re-appointment. Your Directors recommend his re-appointment for approval at the ensuing Annual General Meeting.

Risk Management and Adequacy of Internal Financial Controls with Reference to Financial Statements

Your Company is guided by the holding company, Dr. Reddy's Laboratories Limited's (DRL) policies. Accordingly, the philosophies, policies or procedures relating to internal controls over Financial Accounting, Risk Management and Compliance of DRL are applicable to your Company as well. Identified key risks and internal control matters pertaining to your Company, if any, are reviewed by the DRL's Internal Audit and Risk Management teams, discussed with management and suitably updated to DRL's Board.

Directors' Responsibility Statement

In terms of Section 134(5) of the Companies Act, 2013, your Directors state that:

1. applicable accounting standards have been followed in the preparation of the annual accounts;
2. accounting policies have been selected and applied consistently. Reasonable and prudent judgments and estimates were made, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 2014-15 and of the loss of the Company for that period;
3. proper and sufficient care has been taken to maintain 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. annual accounts have been prepared on a going concern basis; and
5. proper systems have been devised to ensure compliance with the provisions of all applicable laws and these systems were adequate and operating effectively.

Related Party Transactions

The Company does not have any transactions with related parties, except with its holding company Dr. Reddy's Laboratories Limited. Hence the relevant provisions are not applicable to your Company.

Statutory Auditors

The Statutory Auditors of the Company M/s. A. Ramachandra Rao & Co., Chartered Accountants, retire at the ensuing 15th Annual General Meeting. They have confirmed their eligibility to act as Statutory Auditors under Section 141 of the Companies Act, 2013 and Rule 4 of the Companies (Audit and Auditors) Rules, 2014, 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 2015-16 for shareholder's approval.

There are no qualifications, reservations or adverse remarks made by the Statutory Auditors in their report.

Significant and Material Orders passed by the Court/Regulators

During the year under review, there were no significant and/or material orders, passed by any Court or Regulators or Tribunal which may impact the going concern status or the Company's operations in future.

Particulars of Employees

None of the employees of the Company draw salary more than the amount as specified under the provisions of Section 197(12) of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended from time to time. Hence the relevant provisions are not applicable to your Company.

Conservation of energy, Technology Absorption, Foreign exchange earnings and outgo

The particulars as prescribed under Section 134(3)(m) of the Companies Act, 2013, read with the Companies (Accounts) Rules, 2014 relating to conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo are not applicable to your Company.

Extract of the Annual Return

The details forming part of the extract of the Annual Return in Form MGT-9 are attached as 'Annexure I' to this Report.

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 2015

K Satish Reddy
Director

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN
As on the financial year ended on 31 March, 2015

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

Sl. No.	Particulars	Details
i)	CIN	U72200TG2000PTC034473
ii)	Registration Date	22 May 2000
iii)	Name of the Company	Idea2Enterprises (India) Private Limited
iv)	Category/Sub-Category of the Company	Limited by Shares
v)	Address of the Registered office and contact details	7-1-27, Ameerpet, Hyderabad, Telangana-500016
vi)	Whether listed company Yes/No	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	NA

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company are given below:

Sl. no.	Name and Description of main products/services	NIC Code of the product/ service	% to total turnover of the company
			NA

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. no.	Name of the Company	Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held*	Applicable Section
1	Dr. Reddy's Laboratories Limited	8-2-337, Road no. 3, Banjara Hills, Hyderabad- 500034	L85195TG1984PLC004507	Holding	100	2(46)

* Represents aggregate % of shares held by the Company.

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A. PROMOTERS									
(1) Indian									
a) Individual/HUF	0	0	0	0	0	0	0	0	0
b) Central Govt.	0	0	0	0	0	0	0	0	0
c) State Govt(s).	0	0	0	0	0	0	0	0	0
d) Bodies Corp.	0	2,377,826	2,377,826	100	0	2,377,826	2,377,826	100	0
e) Banks/FI	0	0	0	0	0	0	0	0	0
f) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(1)	0	2,377,826	2,377,826	100	0	2,377,826	2,377,826	100	0
(2) Foreign									
a) NRIs-Individuals	0	0	0	0	0	0	0	0	0
b) Other-Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks/FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
Sub-total (A)(2)	0	0	0	0	0	0	0	0	0
Total shareholding of Promoter (A)=(A)(1)+(A)(2)	0	2,377,826	2,377,826	100	0	2,377,826	2,377,826	100	0
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual funds/UTI	0	0	0	0	0	0	0	0	0
b) Banks/FI	0	0	0	0	0	0	0	0	0

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
c) Central Govt.	0	0	0	0	0	0	0	0	0
d) State Govt(s).	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIIs	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
Sub-total (B)(1)	0	0	0	0	0	0	0	0	0
(2) Non-Institutions									
a) Bodies Corp	0	0	0	0	0	0	0	0	0
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0
i) Individual shareholders holding nominal share capital upto Rs.1 lakh	0	0	0	0	0	0	0	0	0
ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh	0	0	0	0	0	0	0	0	0
c) Others (specify)									
c-i) Trust	0	0	0	0	0	0	0	0	0
c-ii) Clearing Member	0	0	0	0	0	0	0	0	0
c-iii) NRIs	0	0	0	0	0	0	0	0	0
c-iv) Foreign Nationals	0	0	0	0	0	0	0	0	0
Sub-total (B)(2)	0	0	0	0	0	0	0	0	0
Total Public Shareholding (B)=(B)(1)+ (B)(2)	0	0	0	0	0	0	0	0	0
C. SHARES HELD BY CUSTODIAN FOR GDRS & ADRS	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	0	2,377,826	2,377,826(*)	100	0	2,377,826	2,377,826(*)	100	0

(*) Out of 2,377,826 equity shares, 6 equity shares are held by six individuals as nominee shareholders on behalf of Dr. Reddy's Laboratories Limited, Holding Company.

ii) Shareholding of Promoters

Sr. no.	Category of Shareholders	No. of shares held at the beginning of the year			No. of shares held at the end of the year			% change during the year
		No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares*	No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares*	
1	Dr. Reddy's Laboratories Limited	2,377,826	100	0	2,377,826	100	0	0
		2,377,826	100	0	2,377,826	100	0	0

iii) Change in Promoters' Shareholding

	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
At the beginning of the year	2,377,826	100	2,377,826	100
Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/ transfer/bonus/sweat equity etc):	0	0	0	0
At the End of the year	2,377,826	100	2,377,826	100

iv) Shareholding pattern of top ten Shareholders (other than Directors, Promoters and holders of GDRs and ADRs)

Name	Shareholding at the beginning of the year		Shareholding at the end of the year	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
NIL				

v) Shareholding of Directors and Key Managerial personnel

Sr. no.	Name	Date	Shareholding at the beginning of the year		Increase / (Decrease) in Shareholding, if any	Reason	Cumulative Shareholding during the year	
			No. of Shares (*)	% of total shares of the company			No. of Shares	% of total shares of the company
A. DIRECTORS								
1	Mr. G V Prasad (Director)	01.04.2014	0	0	0	0	0	0
		31.03.2015	0	0	0	0	0	0
2	Mr. Satish Reddy (Director) (*)	01.04.2014	1	0	0	0	1	0
		31.03.2015	1	0	0	0	1	0
B. KEY MANAGEMENT PERSONNEL (KMPs) - Nil								

* Held as Nominee shareholders on behalf of Dr. Reddy's Laboratories Limited, Holding Company.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment - Nil

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A) Remuneration of Managing Director, Whole-time Director and/or Manager -Not applicable since the Company doesn't have a Managing Director, Whole-Time Director and/or Manager.

B) Remuneration of other directors No remuneration was paid to directors.

C) Remuneration of Key Managerial Personnel other than MD/WT/Manager – No remuneration was paid to the Key Managerial Personnel.

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES

There were no penalties/punishments/compounding of offences during the year.

Independent Auditor's Report

To
**The Members of
Idea2 Enterprises (India) Private Limited**

Report on the Financial Statements

We have audited the accompanying financial statements of **Idea2 Enterprises (India) Private Limited** which comprise the Balance Sheet as at 31 March 2015, and the Statement of Profit and Loss and the 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

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. 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 financial control relevant to the Company's preparation of the financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Company's Directors, 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 on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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, of the state of affairs of the Company as at 31 March 2015 and its profit/loss and its 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, 2015 ("the order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e) On the basis of written representations received from the directors as on 31 March, 2015, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2015, from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the other matters included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to our best of our information and according to the explanations given to us :
 - i. The Company does not have any pending litigations which would impact its financial position;
 - ii. The Company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses; and
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company;

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

A. Ramachandra Rao
Partner
Membership No. : 9750

Place: Hyderabad
Date: 9 May 2015

ANNEXURE TO THE AUDITORS' REPORT

Ref: Idea2 Enterprises (India) Private Limited

(Of even date referred to in Para 1 of our Report)

- 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;.
- ii. The company does not have any inventories during the year and hence, in our opinion, clauses 3(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, whether secured or unsecured, to the companies, firms or other parties covered in the Register maintained u/s Sec. 189 of the Companies Act, 2013 during the year. Hence sub clauses (a) and (b) of clause 3(iii) of the order are not applicable to the company for the year.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and also for the sale of goods and services, to the extent applicable. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v. Based on the information provided to us, the Company has not accepted any deposits during the year and hence, in our opinion, the Clause 3(v) is not applicable to the company for the year
- vi. Based on the explanations given to us, the Central Government has not prescribed any cost records and accounts, which are required to be maintained under section 148 of the Companies Act, 2013.
- vii. (a) According to the records of the company, the company is regular in depositing the undisputed statutory dues, to the extent applicable, including employees state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess with the appropriate authorities.
(b) According to the information and explanations given to us, there are no dues of VAT, income tax, customs duty, excise duty, wealth tax, service tax, cess to be deposited on account of any dispute.
Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.
(c) According to the information provided and explanations offered to us, the company is not required to transfer to Investor Education and Protection Fund any amounts in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made there under and hence this clause is not applicable to the Company.
- viii. 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 in the immediately preceding financial year.
- ix. Based on the information provided and explanation given to us, the company has not taken any loans from banks and hence the clause 3(ix) is not applicable to the company for the year.
- x. Based on the information provided and explanations offered to us, the Company has not given guarantee for loans taken by others from Banks or Financial Institutions the terms and conditions whereof are prejudicial to the interest of the company.

- xi. According to the information and explanations given to us, the company has not obtained any term loans during the year and hence clause 3(xi) of the order is not applicable to the company.
- xii. 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 2015

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 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	23,778	23,778
Reserves and surplus	2.2	1,422,791	1,422,797
		<u>1,446,569</u>	<u>1,446,575</u>
Current liabilities			
Other current liabilities	2.3	3,626	3,615
Short term provisions	2.4	13	13
		<u>3,639</u>	<u>3,628</u>
	TOTAL	<u>1,450,208</u>	<u>1,450,203</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	1,449,989	1,449,989
		<u>1,449,989</u>	<u>1,449,989</u>
Current assets			
Cash and bank balances	2.6	218	213
Short term loans and advances	2.7	1	1
		<u>219</u>	<u>214</u>
	TOTAL	<u>1,450,208</u>	<u>1,450,203</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 2015

for and on behalf of the Board of Directors

G V Prasad

Director

K 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 2015	For the year ended 31 March 2014
Income			
Other income	2.8	5	8
Total revenue		<u>5</u>	<u>8</u>
Expenses			
Other expenses	2.9	11	11
Total expenses		<u>11</u>	<u>11</u>
Loss before tax		(6)	(3)
Tax expense		-	-
Loss for the year		<u>(6)</u>	<u>(3)</u>
Earnings per share			
	2.11		
Basic - Par value ₹ 10/- per share		(0.003)	(0.001)
Diluted - Par value ₹ 10/- per share		(0.003)	(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 2015

for and on behalf of the Board of Directors

G V Prasad

Director

K 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 2015	For the year ended 31 March 2014
Cash flow from operating activities		
Loss for the year	(6)	(3)
Adjustments:		
Interest income	(5)	(8)
Operating profit before working capital changes	<u>(11)</u>	<u>(11)</u>
<i>Changes in operating assets and liabilities</i>	<u>11</u>	<u>-</u>
Cash generated from Operations	<u>0</u>	<u>(11)</u>
Less: Income tax paid	-	-
Net cash used in operating activities	<u><u>0</u></u>	<u><u>(11)</u></u>
Cash flows from/(used in) investing activities		
Interest received	<u>5</u>	<u>8</u>
Net cash from investing activities	<u><u>5</u></u>	<u><u>8</u></u>
Cash flows from/(used in) financing activities	-	-
Net increase/(decrease) in cash & bank balances	<u>5</u>	<u>(3)</u>
Cash & bank balances at the beginning of the year	<u>213</u>	<u>216</u>
Cash & bank balances at the end of the year	<u><u>218</u></u>	<u><u>213</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 2015

for and on behalf of the Board of Directors

G V Prasad

Director

K Satish Reddy

Director

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

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

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.

e) Interest income

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

f) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

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 and are not discounted to its present value.

h) 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. The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. 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.

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 2015	As at 31 March 2014
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 2015		As at 31 March 2014	
	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 2015		As at 31 March 2014	
	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 2015	As at 31 March 2014
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	(14,167)	(14,164)
Add: Current year loss	(6)	(3)
Balance carried forward	<u>(14,173)</u>	<u>(14,167)</u>
	<u>1,422,791</u>	<u>1,422,797</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 2015	As at 31 March 2014
Due to holding company	3,600	3,600
Others	26	15
	<u>3,626</u>	<u>3,615</u>

2.4 : Short term provisions

	As at 31 March 2015	As at 31 March 2014
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 01.04.2014	Additions	Deletions	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
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 2015	As at 31 March 2014
Bank balances		
In current accounts	218	213
	218	213

2.7: Short-term loans and advances

	As at 31 March 2015	As at 31 March 2014
TDS receivable	1	1
	1	1

2.8: Other income

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest income	5	8
	5	8

2.9 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Auditors' remuneration	11	11
	11	11

2.10 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2015 (previous year: Nil).

2.11 : Earnings per share

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
Loss for the year	(6)	(3)
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	(0.003)	(0.001)
Diluted Earnings/(Loss) in ₹ per share	(0.003)	(0.001)

2.12 : Related Party Transaction

The Company has following amounts due from / to related parties

Particulars	As at 31 March 2015	As at 31 March 2014
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

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 2015

K Satish Reddy

Director

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

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 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	5,939	5,939
Reserves and surplus	2.2	(5,366)	(8,159)
		<u>573</u>	<u>(2,220)</u>
Non current liabilities			
Long term borrowings	2.3	19,574	21,840
		<u>19,574</u>	<u>21,840</u>
Current liabilities			
Trade payables	2.4	18,296	15,374
Other current liabilities	2.5	4,508	3,224
Short term provisions	2.6	3,035	1,809
		<u>25,839</u>	<u>20,407</u>
	TOTAL	<u>45,986</u>	<u>40,027</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	11,439	13,170
Capital work-in-progress		308	280
Deferred tax assets, net	2.19	1,402	2,569
Long term loans and advances	2.8	11	25
		<u>13,160</u>	<u>16,044</u>
Current assets			
Inventories	2.9	8,047	6,900
Trade receivables	2.10	19,767	10,639
Cash and bank balances	2.11	1,621	1,088
Short term loans and advances	2.12	3,391	5,356
		<u>32,826</u>	<u>23,983</u>
	TOTAL	<u>45,986</u>	<u>40,027</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: 8 May 2015

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

Saumen Chakraborty

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 2015	For the year ended 31 March 2014
Income			
Sales, net		48,754	34,556
Other operating revenues		480	569
Revenue from operations		49,234	35,125
Other income	2.13	1,567	3
Total revenue		50,801	35,128
Expenses			
Cost of material consumed (including packing material consumed)		26,188	19,407
Changes in inventories of finished goods and work-in-progress	2.14	252	(614)
Employee benefits expense	2.15	7,892	6,939
Finance costs	2.16	1,880	1,141
Depreciation expense	2.7	1,155	1,307
Other expenses	2.17	9,024	10,542
Total expenses		46,391	38,722
Profit/(Loss) before tax		4,410	(3,594)
Tax expense			
Current tax		900	494
Deferred tax (benefit) / expense		939	(520)
Profit/(Loss) for the year		2,571	(3,568)

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: 8 May 2015

for and on behalf of the Board of Directors

Saumen Chakraborty

Director

KVS Ram Rao

Director

Industrias Quimicas Falcon De Mexico S.A. de C.V.

Cash Flow Statement

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Profit/(loss) before taxation	4,410	(3,594)
Adjustments:		
Depreciation and amortization expense	1,155	1,307
Foreign exchange (gain) / loss, net	(1,771)	1,181
Interest income	(156)	(1)
Finance costs	1,880	1,141
(Profit) / Loss on sale of fixed assets, net	(12)	(2)
Provision for inventory obsolescence	1,661	75
Provision for doubtful debts, net	-	2
Operating cash flows before working capital changes	7,167	109
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(9,395)	(3,571)
Inventories	(3,709)	280
Trade payables	4,961	3,979
Other assets and liabilities, net	4,244	(2,611)
Cash generated from / (used in) operations	3,269	(1,814)
Income taxes paid, net	(102)	(1)
Net cash from / (used in) operating activities	3,166	(1,815)
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(919)	(658)
Proceeds from sale of tangible and intangible assets	53	8
Interest received	156	1
Net cash used in investing activities	(710)	(649)
Cash flows from / (used in) financing activities		
Proceeds from / (repayment of) from long term borrowings, net	-	1,604
Interest paid	(1,750)	
Net cash from / (used in) financing activities	(1,750)	1,604
Net increase / (decrease) in cash and cash equivalents	706	(860)
Cash and cash equivalents at the beginning of the year	1,088	1,848
Effect of foreign exchange gain on cash and cash equivalents	(173)	99
Cash and cash equivalents at the end of the year	1,621	1,088
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	1,621	1,088
Other bank balances	-	-
Cash and bank balances at the end of the year	1,621	1,088

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: 8 May 2015

for and on behalf of the Board of Directors

Saumen Chakraborty

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 accounting principles generally accepted in India (“Indian GAAP”). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

Assets acquired on finance leases and leasehold improvements are depreciated over the period of the lease agreement or the useful life 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

Schedule II to the Companies Act, 2013 (“Schedule”) prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

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.

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)

e) Inventories

Inventories are valued at the lower of cost and net realisable value (NRV). Cost of inventories comprises all cost of purchase, production or conversion costs and other costs incurred in bringing the inventories to their present location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. The cost of all categories of inventory is determined using weighted average cost method. 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.

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.

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.

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. The estimate of sales returns is determined primarily by the Company's historical experience in the markets in which the Company operates.

Interest income

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

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)

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 and are not discounted to its present value.

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) Employee benefits

Defined contribution plans

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

Compensated leave of absence

The Company provides for accumulation of compensated absences by certain categories of its employees. These employees can carry forward a portion of the unutilized compensated absences and utilize it in future periods or receive cash in lieu thereof as per Company policy. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The measurement of such obligation is based on actuarial valuation as at the balance sheet date carried out by a qualified actuary.

l) 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. The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. 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.

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 2015	As at 31 March 2014
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 2015		As at 31 March 2014	
	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 2015	As at 31 March 2014
Foreign currency translation reserve		
Balance at the beginning of the year	(233)	(375)
Movement during the year	<u>222</u>	<u>142</u>
	<u>(11)</u>	<u>(233)</u>
Deficit		
Balance at the beginning of the year	(7,926)	(4,358)
Add: Current year profit / (loss)	<u>2,571</u>	<u>(3,568)</u>
Balance carried forward	<u>(5,355)</u>	<u>(7,926)</u>
	<u>(5,366)</u>	<u>(8,159)</u>

2.3 : Borrowings

	As at 31 March 2015	As at 31 March 2014
a) Long term borrowings		
Unsecured		
Borrowings from holding company and other group companies	<u>19,574</u>	<u>21,840</u>
	<u>19,574</u>	<u>21,840</u>

2.4 : Trade payables

	As at 31 March 2015	As at 31 March 2014
Payables to holding company and other group companies	17,452	14,494
Payables to others	<u>844</u>	<u>880</u>
	<u>18,296</u>	<u>15,374</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 2015	As at 31 March 2014
Due to capital creditors	140	205
Due to holding company and other group companies	108	84
Accrued expenses	1,577	587
Salary and bonus payable	78	76
Others	2,605	2,272
	<u>4,508</u>	<u>3,224</u>

2.6 : Short term provisions

	As at 31 March 2015	As at 31 March 2014
Income tax payable	945	75
Provision for employee benefits	2,090	1,734
	<u>3,035</u>	<u>1,809</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)

2.7 : Fixed assets

Description	Gross Block					Depreciation					Net Block	
	As at 01.04.2014	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Land	3,801	-	-	(418)	3,383	-	-	-	-	-	3,383	3,801
Building	2,014	-	-	(211)	1,803	776	77	-	(87)	766	1,037	1,238
Plant and machinery	14,042	702	4	(1,550)	13,190	6,557	875	3	(806)	6,623	6,567	7,484
Furniture and fixtures	788	-	-	(74)	714	614	54	-	(34)	634	80	175
Vehicles	334	109	108	(36)	299	117	58	68	(13)	94	205	217
Office equipment	621	29	9	(71)	570	366	91	9	(45)	403	167	255
Total	21,600	840	121	(2,360)	19,959	8,430	1,155	80	(985)	8,520	11,439	13,170
Previous year	19,734	1,040	49	874	21,600	6,878	1,307	43	288	8,430	13,170	

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 2015	As at 31 March 2014
<i>Considered good</i>		
Capital advances for purchase of fixed assets	1	15
Security deposits	<u>10</u>	<u>10</u>
	<u>11</u>	<u>25</u>

2.9 : Inventories

(Valued on weighted average basis)

	As at 31 March 2015	As at 31 March 2014
Raw materials	5,471	4,050
Work-in-progress	1,816	2,068
Stores and spares	629	675
Packing materials	<u>131</u>	<u>107</u>
	<u>8,047</u>	<u>6,900</u>

2.10 : Trade receivables

Unsecured	As at 31 March 2015	As at 31 March 2014
Debts outstanding for a period exceeding six months		
Considered good	3	259
Considered doubtful	2	2
Other debts		
Considered good	<u>16,183</u>	<u>10,380</u>
	19,769	10,641
<i>Less</i> : Provision for doubtful debts	<u>(2)</u>	<u>(2)</u>
	<u>19,767</u>	<u>10,639</u>

2.11 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Cash on hand	-	1
Bank balances		
In current accounts	<u>1,621</u>	<u>1,087</u>
	<u>1,621</u>	<u>1,088</u>

2.12 : Short term loans and advances

Unsecured	As at 31 March 2015	As at 31 March 2014
<i>Considered good</i>		
Advances to material suppliers	973	882
Staff loans and advances	4	33
Balances with statutory agencies	2,065	4,006
Prepaid expenses	348	434
Other advances	<u>1</u>	<u>1</u>
	<u>3,391</u>	<u>5,356</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)

2.13 : Other income

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest income	156	1
Profit on sale of fixed assets, net	12	2
Foreign exchange gain, net	1,399	-
	<u>1,567</u>	<u>3</u>

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
<i>Opening</i>		
Work-in-progress	<u>2,068</u>	<u>1,454</u>
	2,068	1,454
<i>Closing</i>		
Work-in-progress	<u>1,816</u>	<u>2,068</u>
<i>Net (increase)/ decrease</i>	<u>252</u>	<u>(614)</u>

2.15 : Employee benefits expense

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	7,433	6,471
Contribution to provident and other funds	31	30
Staff welfare expenses	<u>428</u>	<u>438</u>
	<u>7,892</u>	<u>6,939</u>

2.16 : Finance costs

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest expenses	<u>1,880</u>	<u>1,141</u>
	<u>1,880</u>	<u>1,141</u>

2.17 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Consumption of Stores and spare parts	611	890
Legal and professional	314	301
Carriage outward	741	303
Rates and taxes	104	101
Selling expenses	22	15
Repairs and maintenance		
Buildings	2	-
Plant and machinery	3,053	2,340
Others	631	905
Power and fuel	2,545	2,558
Travelling and conveyance	47	113
Rent	8	15
Insurance	152	146
Foreign exchange loss, net	-	1,448
Auditors' remuneration	45	28
Provision on advances and receivables	-	2
Other general expenses	<u>749</u>	<u>1,377</u>
	<u>9,024</u>	<u>10,542</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 2015 is ₹ 48 (previous year: ₹ 255).

2.19 : Deferred taxation

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

Particulars	As at 31 March 2015	As at 31 March 2014
Deferred tax assets / (liabilities)		
Trade receivables	141	158
Current assets	-	173
Current liabilities	543	724
Inventories	742	1,104
Fixed assets	(24)	(647)
Loss carry forward	-	1,057
Deferred tax asset, net	1,402	2,569

2.20 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i. Interest paid / payable to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	1,873	743
Dr. Reddy's Laboratories SA	-	398
ii. Sales and services rendered to holding company and other group companies:		
Dr. Reddy's Laboratories (EU) Limited	362	116
Dr. Reddy's Laboratories Inc.	5,146	1,759
Dr. Reddy's Laboratories SA	23,536	20,935
Dr. Reddy's Laboratories Limited	1,016	103
Dr. Reddy's Laboratories (UK) Limited	118	108
iii. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	15,539	11,423
Dr. Reddy's Laboratories (EU) Limited	9	10
Dr. Reddy's Laboratories SA	81	98

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 2015	31 March 2014
i. Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's Laboratories Inc.	-	709
Dr. Reddy's Laboratories Limited	289	-
Dr. Reddy's Laboratories SA	9,312	5,330
Dr. Reddy's Laboratories (EU) Limited	166	111
ii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	17,368	14,494
Dr. Reddy's Laboratories SA	84	-
iii. Due to holding company and other group companies (included in borrowings and other liabilities):		
Dr. Reddy's Laboratories Limited	19,636	21,880
Dr. Reddy's Laboratories (EU) Limited	46	44

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****Saumen Chakraborty**

Director

A Ramachandra Rao

Partner

Membership No. 9750

KVS Ram Rao

Director

Place: Hyderabad

Date: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

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 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	7,905	7,905
Reserves and surplus	2.2	8,645	3,813
		16,550	11,718
Current liabilities			
Trade payables	2.3	3,515	5,324
Other current liabilities	2.4	4,577	3,684
		8,092	9,008
	TOTAL	24,642	20,726
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	3,361	2,834
Intangible assets	2.5	102	101
Capital work-in-progress		203	125
Deferred tax assets, net	2.18	11	32
Long term loans and advances	2.6	1,472	836
		5,149	3,928
Current assets			
Inventories	2.7	3,325	3,800
Trade receivables	2.8	5,019	4,213
Cash and bank balances	2.9	9,668	5,275
Short term loans and advances	2.10	594	1,951
Other current assets	2.11	887	1,559
		19,493	16,798
	TOTAL	24,642	20,726

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

Abhijeet Mukherjee

Director

Place: Hyderabad

Date: 8 May 2015

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 2015	For the year ended 31 March 2014
Income			
Sales, net		33,576	27,812
Other operating revenues		134	114
Revenue from operations		33,710	27,926
Other income	2.12	58	64
Total revenue		33,768	27,990
Expenses			
Cost of material consumed (including packing material consumed)		6,148	8,443
Changes in inventories of finished goods and work-in-progress	2.13	244	(2,177)
Employee benefits expense	2.14	8,267	6,115
Depreciation and amortization expense	2.5	469	361
Other expenses	2.15	13,762	10,574
Total expenses		28,889	23,316
Profit before tax		4,879	4,674
Tax expense			
Current tax		651	661
Deferred tax expense		23	123
Profit for the year		4,205	3,890

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

Abhijeet Mukherjee

Director

Place: Hyderabad

Date: 8 May 2015

Kunshan Rotam Reddy Pharmaceuticals Co. Ltd.**Cash Flow Statement**

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Profit before taxation	4,879	4,674
Adjustments:		
Depreciation and amortization expense	469	361
Interest income	(58)	-
Operating cash flows before working capital changes	5,290	5,035
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(602)	(792)
Inventories	634	(1,160)
Trade payables	(2,007)	2,524
Other assets and liabilities, net	2,969	(1,455)
Cash generated from operations	6,283	4,153
Income taxes paid, net	(1,335)	(1,087)
Net cash from operating activities	4,948	3,066
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(1,021)	(514)
Proceeds from sale of tangible and intangible assets	82	82
Interest received	58	-
Net cash used in investing activities	(881)	(432)
Cash flows from / (used in) financing activities		
Net cash from / (used in) financing activities	-	-
Net increase in cash and cash equivalents	4,068	2,634
Cash and cash equivalents at the beginning of the year	5,275	2,453
Effect of foreign exchange gain on cash and cash equivalents	325	188
Cash and cash equivalents at the end of the year	9,668	5,275
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	9,668	5,275
Other bank balances	-	-
Cash and bank balances at the end of the year	9,668	5,275

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: 8 May 2015

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 accounting principles generally accepted in India (“Indian GAAP”). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

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

Schedule II to the Companies Act, 2013 (“Schedule”) prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

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.

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.

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 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 of various intangible assets are as follows:

	Years
Trademarks	5 to 15

The amortisation period and the amortisation method for intangible assets are reviewed at each financial year-end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

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 (NRV). Cost of inventories comprises all cost of purchase, production or conversion costs and other costs incurred in bringing the inventories to their present location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. The cost of all categories of inventory is determined using weighted average cost method. 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.

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:

- 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 and are not discounted to its present value.

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.

m) 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. The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. 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.

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 2015	As at 31 March 2014
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 2015		As at 31 March 2014	
	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 2015	As at 31 March 2014
Foreign currency translation reserve		
Balance at the beginning of the year	1,916	1,269
Movement during the year	<u>627</u>	<u>647</u>
	<u>2,543</u>	<u>1,916</u>
Surplus / (Deficit)		
Balance at the beginning of the year	1,897	(1,993)
Add: Current year profit	<u>4,205</u>	<u>3,890</u>
Balance carried forward	<u>6,102</u>	<u>1,897</u>
	<u>8,645</u>	<u>3,813</u>

2.3 : Trade payables

	As at 31 March 2015	As at 31 March 2014
Trade payable	<u>3,515</u>	<u>5,324</u>
	<u>3,515</u>	<u>5,324</u>

2.4 : Other liabilities

	As at 31 March 2015	As at 31 March 2014
Other current liabilities	<u>4,577</u>	<u>3,684</u>
	<u>4,577</u>	<u>3,684</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)

2.5 : Fixed assets

Description	Gross Block					Depreciation / Amortisation					Net Block	
	As at 01.04.2014	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Land	538	-	19	-	518	160	-	-	-	160	358	378
Vehicles	104	14	-	6	124	93	21	-	4	118	6	11
Building	3,244	60	152	183	3,335	1,666	112	92	96	1,781	1,554	1,578
Plant and machinery	1,059	592	103	72	1,620	641	140	103	41	720	901	418
Laboratory equipment	814	171	2	41	1,024	454	94	-	31	578	446	360
Office equipment	302	14	2	4	317	213	6	2	4	221	96	89
Total tangible assets (A)	6,061	851	279	306	6,940	3,228	373	197	176	3,579	3,361	2,834
Trademarks	125	91	76	8	147	24	95	76	2	45	102	101
Total intangible assets (B)	125	91	76	8	147	24	95	76	2	45	102	101
Total (A+B)	6,186	942	355	314	7,087	3,252	469	273	177	3,625	3,463	2,934
Previous year	5,414	482	300	591	6,186	2,791	361	218	319	3,252	2,934	

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 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Advance tax, net of provision for income taxes	1,472	836
	<u>1,472</u>	<u>836</u>

2.7 : Inventories

(Valued on weighted average basis)

	As at 31 March 2015	As at 31 March 2014
Raw materials	206	449
Work-in-progress	1,301	1,369
Finished goods	1,734	1,910
Stores and spares	84	72
	<u>3,325</u>	<u>3,800</u>

2.8 : Trade receivables

	As at 31 March 2015	As at 31 March 2014
Unsecured		
Debts outstanding for a period exceeding six months		
Considered good	-	6
Considered doubtful	131	125
Other debts		
Considered good	5,019	4,207
	<u>5,150</u>	<u>4,338</u>
<i>Less</i> : Provision for doubtful debts	<u>(131)</u>	<u>(125)</u>
	<u>5,019</u>	<u>4,213</u>

2.9 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Cash on hand	4	1
Bank balances		
In current accounts	6,843	5,274
In term deposit accounts	2,821	-
	<u>9,668</u>	<u>5,275</u>

2.10 : Short term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Prepaid expenses	73	187
Other advances	521	1,764
	<u>594</u>	<u>1,951</u>

2.11 : Other current assets

	As at 31 March 2015	As at 31 March 2014
<i>Considered good</i>		
Claims receivable & others	887	1,559
	<u>887</u>	<u>1,559</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 2015	For the year ended 31 March 2014
Interest income		
On other deposits	58	-
Foreign exchnage gain, net	-	64
	<u>58</u>	<u>64</u>

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
<i>Opening</i>		
Work-in-progress	1,369	217
Finished goods	1,910	885
	<u>3,279</u>	<u>1,102</u>
<i>Closing</i>		
Work-in-progress	1,301	1,369
Finished goods	1,734	1,910
	<u>3,035</u>	<u>3,279</u>
<i>Net increase</i>	<u>244</u>	<u>(2,177)</u>

2.14 : Employee benefits expense

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	7,945	5,878
Contribution to provident and other funds	95	110
Staff welfare expenses	227	127
	<u>8,267</u>	<u>6,115</u>

2.15 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Consumption of Stores and spare parts and other materials	189	725
Other research and deveopment expenses	193	151
Legal and professional	4	5
Rates and taxes	575	470
Selling expenses	7,774	3,839
Travelling and conveyance	2,539	4,303
Insurance	8	21
Foreign exchnage loss, net	1	-
Other general expenses	2,478	1,060
	<u>13,762</u>	<u>10,574</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)

2.16 : Commitments and contingent liabilities

The value of commitments as at 31 March 2015 is ` 82 (previous year: ` 103).

2.17 : Deferred taxation

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

Particulars	As at	As at
	31 March 2015	31 March 2014
Deferred tax assets / (liabilities)		
Inventories	(24)	(17)
Current assets	-	15
Fixed Assets	35	34
Deferred tax asset, net	11	32

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 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: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

Lacock Holdings Limited**Balance Sheet**

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

	Note	As at 31 March 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,330	1,330
Reserves and surplus	2.2	150,029	165,776
		151,359	167,106
Non current liabilities			
Long term borrowings	2.3	-	26,905,960
		-	26,905,960
Current liabilities			
Other current liabilities	2.4	747	1,788
Short term provisions	2.5	20,351	26,704
		21,098	28,492
	TOTAL	172,457	27,101,558
ASSETS			
Non current assets			
Non current investments	2.6	-	-
Long term loans and advances	2.7	-	27,094,129
		-	27,094,129
Current assets			
Cash and bank balances	2.8	172,436	7,407
Other current assets	2.9	21	22
		172,457	7,429
	TOTAL	172,457	27,101,558

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: 8 May 2015

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 2015	For the year ended 31 March 2014
Income			
Other income	2.10	131,771	624,705
Total revenue		131,771	624,705
Expenses			
Finance costs	2.11	108,881	402,316
Other expenses	2.12	1,379	25,460,203
Total expenses		110,260	25,862,519
Profit/(Loss) before tax		21,511	(25,237,814)
Tax expense			
Current tax		2,844	48,258
Profit/(Loss) for the year		18,667	(25,286,072)
Earnings per share			
Basic - Par value EUR 1.71 per share		1,164.29	(1,577,126.68)
Diluted - Par value EUR 1.71 per share		1,164.29	(1,577,126.68)
Number of shares used in computing earnings per share			
Basic		16,033	16,033
Diluted		16,033	16,033

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: 8 May 2015

for and on behalf of the Board of Directors

Satish Reddy

Director

K Ganesh

Director

Lacock Holdings Limited

Cash Flow Statement

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Profit/(loss) before taxation	21,511	(25,237,814)
Adjustments:		
Loss on sale of non current investments	-	25,435,259
Interest income	(131,771)	(624,705)
Finance costs	108,881	402,316
Operating cash flows before working capital changes	(1,379)	(24,944)
<i>Changes in operating assets and liabilities</i>		
Other assets and liabilities, net	(29,903)	(71,945)
Cash generated used in operations	(31,282)	(96,889)
Income taxes paid, net	(4,102)	(44,343)
Net cash used in operating activities	(35,384)	(141,233)
Cash flows from / (used in) investing activities		
Proceeds from sale of investments in subsidiaries / joint venture	-	2,298
Investments in subsidiaries / joint venture	-	(16,061,371)
Loans and advances repaid by holding company and other group companies, net	27,096,038	1,600,674
Interest received	3	
Net cash from / (used in) investing activities	27,096,041	(14,458,399)
Cash flows from / (used in) financing activities		
Proceeds from issuance of share capital	-	45,956
Proceeds from/ (repayment of) long term borrowings, net	(26,922,534)	14,552,492
Net cash from / (used in) financing activities	(26,922,534)	14,598,448
Net increase / (decrease) in cash and cash equivalents	138,123	(1,183)
Cash and cash equivalents at the beginning of the year	7,407	10,485
Effect of foreign exchange gain on cash and cash equivalents	26,906	(1,895)
Cash and cash equivalents at the end of the year	172,436	7,407
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	172,436	7,407
Other bank balances	-	-
Cash and bank balances at the end of the year	172,436	7,407

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: 8 May 2015

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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 and are not discounted to its present value.

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.

i) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

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 2015	As at 31 March 2014
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 2015		As at 31 March 2014	
	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 2015		As at 31 March 2014	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Dr. Reddy's Laboratories SA	16,033	100	16,033	100

2.2 : Reserves and surplus

	As at 31 March 2015	As at 31 March 2014
<i>Foreign currency translation reserve</i>		
Balance at the beginning of the year	8,266,773	1,872,904
Movement during the year	(34,414)	6,393,869
	8,232,359	8,266,773
<i>Securities premium reserve</i>		
Balance at the beginning of the year	16,144,590	16,098,634
Movement during the year	-	45,956
	16,144,590	16,144,590
<i>(Deficit) / Surplus</i>		
Balance at the beginning of the year	(24,245,587)	1,040,485
Add: Current year profit / (loss)	18,667	(25,286,072)
Balance carried forward	(24,226,920)	(24,245,587)
	150,029	165,776

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 2015	As at 31 March 2014
Borrowings from holding company and other group companies	-	26,905,960
	<u>-</u>	<u>26,905,960</u>

2.4 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Other current liabilities	747	1,788
	<u>747</u>	<u>1,788</u>

2.5 : Short term provisions

	As at 31 March 2015	As at 31 March 2014
Income tax payable	20,351	26,704
	<u>20,351</u>	<u>26,704</u>

2.6 : Non current investments

	As at 31 March 2015	As at 31 March 2014
Non current investments at cost		
<i>In Subsidiary Companies</i>		
Reddy Pharma Italia S.p.A	62,794	62,794
	<u>62,794</u>	<u>62,794</u>
Less: Provision for decline, other than temporary, in the value of non current investments	(62,794)	(62,794)
	<u>-</u>	<u>-</u>

2.7 : Long term loans and advances

	As at 31 March 2015	As at 31 March 2014
<i>Unsecured</i>		
<i>Considered good</i>		
Loan to holding company and other group companies	-	27,094,129
<i>Considered doubtful</i>		
Loan to holding company and other group companies	1,054,547	1,297,741
	<u>1,054,547</u>	<u>28,391,870</u>
Less : Provision for loan to holding company and other group companies	(1,054,547)	(1,297,741)
	<u>-</u>	<u>27,094,129</u>

2.8 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Bank balances		
In current accounts	6,477	7,407
In term deposit accounts (original maturity less than 3 months)	165,959	-
	<u>172,436</u>	<u>7,407</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 2015	As at 31 March 2014
<i>Considered good</i>		
Other current assets	21	22
	<u>21</u>	<u>22</u>

2.10 : Other income

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest income	131,771	624,705
	<u>131,771</u>	<u>624,705</u>

2.11 : Finance costs

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest expenses	108,881	402,316
	<u>108,881</u>	<u>402,316</u>

2.12 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Legal and professional	982	1,644
Bank charges and guarantee commission	68	20,611
Audit fees	329	2,421
Loss on sale of non current investments	-	25,435,259
Other general expenses	-	268
	<u>1,379</u>	<u>25,460,203</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 2015 (previous year: Nil).

2.14 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i. Interest income from holding company and other group companies:		
Reddy Holding GmbH	131,768	624,705
ii. Interest expense paid / payable to holding company and other group companies:		
Dr. Reddy's Laboratories SA	108,881	384,311
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 2015	As at 31 March 2014
i. Due to holding company and other group companies (included in long term borrowings):		
Dr. Reddy's Laboratories SA	-	26,905,960
ii. Due from holding company and other group companies (included in long term loans and advances):		
Reddy Holding GmbH	-	27,094,129
Reddy Pharma Italia S.p.A	1,054,547	1,297,741
iii. Provisions outstanding on dues from holding company and other group companies:		
Reddy Pharma Italia S.p.A	1,054,547	1,297,741

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**
DirectorA Ramachandra Rao
Partner
Membership No. 9750**K Ganesh**
DirectorPlace: Hyderabad
Date: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

OctoPlus Development B.V.
Balance Sheet

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

	Note	As at 31 March 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,296	1,296
Reserves and surplus	2.2	1,400,130	1,147,505
		1,401,426	1,148,801
Non current liabilities			
Long term borrowings	2.3	6,487	6,857
		6,487	6,857
Current liabilities			
Trade payables	2.4	31,609	71,453
Other current liabilities	2.5	687,665	936,502
		719,274	1,007,955
	TOTAL	2,127,188	2,163,613
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	543,857	623,964
Intangible assets	2.6	12	1,056
Capital work-in-progress		23,384	103,941
Long term loans and advances	2.7	-	65,516
		567,252	794,477
Current assets			
Inventories	2.8	14,712	116,062
Trade receivables	2.9	641,796	167,708
Cash and bank balances	2.10	181,574	22
Short term loans and advances	2.11	710,830	1,085,344
Other current assets	2.12	11,024	-
		1,559,936	1,369,136
	TOTAL	2,127,188	2,163,613

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 B.V.

Director

Place: Hyderabad

Date: 8 May 2015

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 year ended 31 March 2015	For the year ended 31 March 2014
Income			
Service income		1,521,378	1,194,129
Revenue from operations		1,521,378	1,194,129
Other income	2.13	54,498	42,204
Total revenue		1,575,876	1,236,333
Expenses			
Cost of material consumed (including packing material consumed)		119,249	92,034
Employee benefits expense	2.14	306,744	180,368
Finance costs	2.15	24,228	30,589
Depreciation and amortization expense	2.6	177,411	112,879
Other expenses	2.16	408,593	135,607
Total expenses		1,036,225	551,477
Profit before tax		539,651	684,856
Tax expense	2.19	-	-
Profit for the period		539,651	684,856
Earnings per share			
Basic - Par value EUR 1 per share		29,732.85	37,733.09
Diluted - Par value EUR 1 per share		29,732.85	37,733.09

Number of shares used in computing earnings per share

Basic	18,150	18,150
Diluted	18,150	18,150

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 B.V.
 Director

Place: Hyderabad
 Date: 8 May 2015

OctoPlus Development B.V.**Cash Flow Statement**

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Profit before tax	539,651	684,856
Adjustments:		
Depreciation and amortization expense	177,411	112,879
Provision for inventory obsolescence	4,985	4,112
Operating cash flows before working capital changes	722,047	801,847
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(499,925)	(63,403)
Inventories	86,821	(70,774)
Trade payables	(30,510)	29,800
Other assets and liabilities, net	1,353	(322,914)
Cash generated from operations	279,787	374,556
Income taxes paid, net	-	-
Net cash from operating activities	279,787	374,556
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(71,207)	(345,736)
Net cash used in investing activities	(71,207)	(345,736)
Cash flows from / (used in) financing activities		
Proceeds from / (repayment of) long term borrowings, net	815	(40,463)
Net cash from / (used in) financing activities	815	(40,463)
Net increase / (decrease) in cash and cash equivalents	209,395	(11,643)
Cash and cash equivalents at the beginning of the year	22	9,992
Effect of foreign exchange gain on cash and cash equivalents	(27,843)	1,673
Cash and cash equivalents at the end of the year	181,574	22
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	181,574	22
Other bank balances	-	-
Cash and bank balances at the end of the year	181,574	22

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

OctoPlus B.V.

Director

A Ramachandra Rao
Partner
Membership No. 9750

Place: Hyderabad

Date: 8 May 2015

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

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

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

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.

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.

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

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 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. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

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 (NRV). Cost of inventories comprises all cost of purchase, production or conversion costs and other costs incurred in bringing the inventories to their present location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. The cost of all categories of inventory is determined using weighted average cost method. 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.

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.

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)

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 and are not discounted to its present value.

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.

l) Leases

At the inception of the lease, a lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the 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.

m) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, "short-term" means investments having maturity of three months or less from the date of investment.

n) 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. The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. 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.

o) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

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 2015	As at 31 March 2014
Authorised		
100,000 shares (previous year : 100,000) of Euro 1 each	<u>7,140</u>	<u>7,140</u>
Issued		
18,150 shares (previous year : 18,150) of Euro 1 each	<u>1,296</u>	<u>1,296</u>
Subscribed and paid-up		
18,150 shares (previous year : 18,150) 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 2015		As at 31 March 2014	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	18,150	1,296	18,150	1,296
Add: Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	18,150	1,296	18,150	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 2015		As at 31 March 2014	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
OctoPlus B.V.	18,150	100	18,150	100

2.2 : Reserves and surplus

	As at 31 March 2015	As at 31 March 2014
Foreign currency translation reserve		
Balance at the beginning of the period	89,721	(1,049)
Movement during the period	<u>(287,026)</u>	<u>90,770</u>
	<u>(197,305)</u>	<u>89,721</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	(75,996)	(760,852)
Add: Current period profit	<u>539,651</u>	<u>684,856</u>
Balance carried forward	<u>463,655</u>	<u>(75,996)</u>
	<u>1,400,130</u>	<u>1,147,506</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 2015	As at 31 March 2014
Long term maturities of finance lease obligations	6,487	6,857
	<u>6,487</u>	<u>6,857</u>

2.4 : Trade Payables

	As at 31 March 2015	As at 31 March 2014
Trade payable	31,609	71,453
	<u>31,609</u>	<u>71,453</u>

2.5 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Accrued expenses	75,170	37,512
Current maturities of finance lease obligations	2,665	3,536
Due to statutory authorities	3,186	1,846
Due to holding company and other group companies	454,834	636,194
Due to capital creditors	15,850	-
Salary and bonus payable	974	-
Others	134,986	257,414
	<u>687,665</u>	<u>936,502</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 01.04.2014	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Plant and machinery												
Owned	612,798	61,160	513	(122,900)	550,545	84,200	132,519	513	(33,650)	182,556	367,989	528,598
Assets taken under finance lease	30,730	-	-	(5,759)	24,971	21,731	2,410	-	(4,072)	20,068	4,903	8,999
Laboratory equipment	91,169	141,349	-	(35,877)	196,641	14,502	36,200	-	(7,530)	43,172	153,469	76,667
Office equipment												
Owned	13,602	14,185	6,571	(1,675)	19,541	3,996	5,205	6,571	(577)	2,053	17,488	9,606
Assets taken under finance lease	1,369	-	-	(257)	1,112	1,275	77	-	(249)	1,103	9	94
Total tangible assets (A)	749,668	216,694	7,085	(166,468)	792,809	125,704	176,411	7,085	(46,078)	248,952	543,857	623,964
Intangibles	3,889	-	-	(729)	3,160	2,833	976	-	(662)	3,148	12	1,056
Total intangible assets (B)	3,889	-	-	(729)	3,160	2,833	976	-	(662)	3,148	12	1,056
Total (A+B)	753,557	216,694	7,085	(167,196)	795,969	128,537	177,387	7,085	(46,740)	252,100	543,869	625,020
Previous year	478,917	273,448	92,007	93,199	753,557	11,351	112,879	-	4,307	128,537	625,020	

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 2015	As at 31 March 2014
Capital advances for purchase of fixed assets	-	65,516
	<u>-</u>	<u>65,516</u>

2.8 : Inventories**(Valued on weighted average basis)**

	As at 31 March 2015	As at 31 March 2014
Raw materials	14,712	116,062
	<u>14,712</u>	<u>116,062</u>

2.9 : Trade receivables

	As at 31 March 2015	As at 31 March 2014
Unsecured		
Debts outstanding for a period exceeding six months	-	-
Other debts		
Considered good	641,796	167,708
	<u>641,796</u>	<u>167,708</u>

2.10 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Cash on hand	12	-
Bank balances		
In current accounts	13,509	22
In term deposit accounts	168,053	-
	<u>181,574</u>	<u>22</u>

2.11 : Short term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
Considered good		
Advances to holding company and other group companies	620,078	1,062,756
Advances to material suppliers	1,162	15,220
Prepaid expenses	9,470	7,254
Balances with Statutory Agencies	80,104	-
Staff loans and advances	-	114
Other Advances	16	-
	<u>710,830</u>	<u>1,085,344</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 current assets

	As at 31 March 2015	As at 31 March 2014
<i>Considered good</i>		
Claims receivable	10,660	-
Other current assets	364	-
	<u>11,024</u>	<u>-</u>

2.13 : Other income

	As at 31 March 2015	As at 31 March 2014
Foreign exchange gain, net	2,843	515
Interest income	51,655	41,689
	<u>54,498</u>	<u>42,204</u>

2.14 : Employee benefits expense

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	306,744	180,368
	<u>306,744</u>	<u>180,368</u>

2.15 : Finance costs

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest expenses	24,228	30,589
	<u>24,228</u>	<u>30,589</u>

2.16 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Legal and professional	3,646	655
Carriage outward	12,111	3,197
Other research and development expenditure	284,251	-
Repairs and maintenance	54,730	122,816
Power and fuel	12,594	1,796
Rates and taxes	3,299	-
Other selling expenses	8,554	-
Communication	10,583	3,404
Rent	15,451	423
Other general expenses	3,374	3,316
	<u>408,593</u>	<u>135,607</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)

2.17 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2015 (previous year: Nil).

2.18 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i. Sales and services rendered to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	1,071,303	7,721
Reddy Netherlands B.V.	-	680,849
Dr. Reddy's Laboratories SA	11,899	-
ii. Interest received / receivable from holding company and other group companies:		
OctoPlus B.V.	9,227	17,901
OctoPlus Sciences B.V.	3,369	3,174
Chienna B.V.	22,546	20,614
OctoPlus Technologies B.V.	720	-
iii. Interest paid / payable to holding company and other group companies:		
OctoShare B.V.	24,228	27,165
OctoPlus Technologies B.V.	-	2,086
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 2015	As at 31 March 2014
i. Due from holding company and other group companies (included in short term loans and advances and trade receivables):		
OctoPlus B.V.	8,000	563,093
OctoPlus Sciences B.V.	63,729	66,464
OctoPlus PolyActive Sciences B.V.	3	3
Chienna B.V.	463,551	432,910
Dr. Reddy's Laboratories Limited	534,861	7,970
OctoPlus Technologies B.V.	84,795	-
Dr. Reddy's Laboratories SA, Switzerland	4,017	-
ii. Due to holding company and other group companies (included in other current liabilities):		
OctoShare B.V.	410,419	590,790
OctoPlus Technologies B.V.	-	43,235
Dr. Reddy's Laboratories Limited	-	998
Reddy Netherlands B.V.	-	1,170
OctoPlus B.V.	44,415	-

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

2.20 : Comparative figures

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)

2.21 : The company, incorporated in Netherlands, is a 100 % subsidiary of OctoPlus 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 B.V.
Director

Place: Hyderabad
Date: 8 May 2015

Independent Auditors' Report

**To
The Members of
OctoPlus B.V.**

We have audited the accompanying financial statements of **OctoPlus B.V.**, a company incorporated and administered outside India, which comprises the balance sheet as at 31 March 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

OctoPlus B.V.**Balance Sheet**

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

	Note	As at 31 March 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	451,292	451,292
Reserves and surplus	2.2	602,187	878,266
		1,053,479	1,329,558
Non current liabilities			
Long term borrowings	2.3	1,976,813	1,493,744
		1,976,813	1,493,744
Current liabilities			
Other current liabilities	2.4	154,656	792,605
Short term provisions	2.5	-	2,354
		154,656	794,959
	TOTAL	3,184,948	3,618,261
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	341,807	455,554
Non current investments	2.7	-	-
Deferred tax assets, net	2.14	-	1,132
		341,807	456,686
Current assets			
Cash and bank balances	2.8	25,053	65,756
Short term loans and advances	2.9	2,818,088	3,095,819
		2,843,141	3,161,575
	TOTAL	3,184,948	3,618,261

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

Sameer Natu

Director

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 8 May 2015

OctoPlus 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 2015	For the year ended 31 March 2014
Income			
Other income	2.10	152,827	127,548
Total revenue		<u>152,827</u>	<u>127,548</u>
Expenses			
Cost of material consumed (including packing material consumed)		-	17
Employee benefits expense	2.11	12,147	59,069
Finance costs		111,161	98,794
Depreciation and amortization expense	2.6	33,252	54,511
Other expenses	2.12	26,238	52,685
Total expenses		<u>182,797</u>	<u>265,076</u>
Loss before tax		(29,970)	(137,528)
Tax expense	2.15		
Deferred tax		1,061	-
Loss for the year		<u>(31,031)</u>	<u>(137,528)</u>
Earnings per share			
Basic - Par value EUR 0.12 per share		(0.59)	(2.61)
Diluted - Par value EUR 0.12 per share		(0.59)	(2.61)
Number of shares used in computing earnings per share			
Basic		52,673,974	52,673,974
Diluted		52,673,974	52,673,974

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

Place: Hyderabad
Date: 8 May 2015

OctoPlus B.V.
Cash Flow Statement

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Loss before tax	(29,970)	(137,528)
Adjustments:		
Depreciation and amortization expense	33,252	54,511
Interest expenses on borrowings	96,520	76,764
Operating cash flows before working capital changes	99,801	(6,253)
<i>Changes in operating assets and liabilities</i>		
Trade receivables	-	11,436
Other assets and liabilities, net	(917,844)	(511,719)
Cash generated from operations	(818,043)	(506,536)
Income taxes paid, net	-	-
Net cash used in operating activities	(818,043)	(506,536)
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(523)	0
Net cash from / (used in) investing activities	(523)	0
Cash flows from / (used in) financing activities		
Proceeds from long term borrowings, net	847,357	547,880
Interest paid	(61,523)	(63,102)
Net cash from financing activities	785,833	484,778
Net decrease in cash and cash equivalents	(32,732)	(21,757)
Cash and cash equivalents at the beginning of the year	65,756	73,904
Effect of foreign exchange gain on cash and cash equivalents	(7,971)	13,609
Cash and cash equivalents at the end of the year	25,053	65,756
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	25,053	65,756
Other bank balances	-	-
Cash and bank balances at the end of the year	25,053	65,756

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

Place: Hyderabad
Date: 8 May 2015

OctoPlus 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 accounting principles generally accepted in India (“Indian GAAP”). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

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

	Years
Buildings	20 to 50

Schedule II to the Companies Act, 2013 (“Schedule”) prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

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.

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.

OctoPlus 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*

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. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

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.

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 individual investment.

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.

OctoPlus B.V.

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*

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 and are not discounted to its present value.

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.

l) *Leases*

At the inception of the lease, a lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the 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.

m) *Earnings per share*

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

n) *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. The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. 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.

OctoPlus 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 2015	As at 31 March 2014
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 2015		As at 31 March 2014	
	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 2015		As at 31 March 2014	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
Reddy Netherlands B.V.	52,673,974	100	52,673,974	100.00

2.2 : Reserves and surplus

	As at 31 March 2015	As at 31 March 2014
Foreign currency translation reserve		
Balance at the beginning of the period	215,176	(10,905)
Movement during the period	<u>(245,048)</u>	<u>226,081</u>
	<u>(29,872)</u>	<u>215,176</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	(2,889,186)	(2,751,658)
Add: Current period loss	<u>(31,031)</u>	<u>(137,528)</u>
Balance carried forward	<u>(2,920,217)</u>	<u>(2,889,186)</u>
	<u>602,187</u>	<u>878,266</u>

OctoPlus 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 2015	As at 31 March 2014
Long term maturities of finance lease obligation	436,287	565,926
Borrowings from holding company and other group companies	1,540,526	927,818
	<u>1,976,813</u>	<u>1,493,744</u>

2.4 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Current portion of finance lease obligation	23,527	26,431
Accrued expenses	323	89,210
Salary and bonus payable	19,955	-
Due to statutory authorities	35	6,631
Due to holding company and other group companies	83,834	651,896
Others	26,982	18,437
	<u>154,656</u>	<u>792,605</u>

2.5 : Short term provisions

	As at 31 March 2015	As at 31 March 2014
Provision for employee benefits	-	2,354
	<u>-</u>	<u>2,354</u>

OctoPlus 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 01.04.2014	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Building (finance lease)	495,452	523	-	(92,916)	403,059	39,898	33,252	-	(11,898)	61,252	341,807	455,554
Total tangible assets (A)	495,452	523	-	(92,916)	403,059	39,898	33,252	-	(11,898)	61,252	341,807	455,554
Goodwill	19,714	-	-	(3,694)	16,020	19,714	-	-	(3,694)	16,020	-	-
Total intangible assets (B)	19,714	-	-	(3,694)	16,020	19,714	-	-	(3,694)	16,020	-	-
Total (A+B)	515,166	523	-	(96,611)	419,078	59,612	33,252	-	(15,592)	77,272	341,807	455,554
Previous year	433,304	-	-	81,862	515,166	3,726	54,511	-	1,375	59,612	455,554	

OctoPlus 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 : Non current investments

	As at 31 March 2015	As at 31 March 2014
Investments in Subsidiaries	1,465,776	1,465,776
<i>Less:</i> 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 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Bank balances		
In current accounts	<u>25,053</u>	<u>65,756</u>
	<u>25,053</u>	<u>65,756</u>

2.9 : Short term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Advances to holding company and other group companies	2,770,665	3,058,222
Balances with Statutory Agencies	23,581	-
Prepaid expenses	<u>23,842</u>	<u>37,597</u>
	<u>2,818,088</u>	<u>3,095,819</u>

2.10 : Other income

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest income	151,352	126,944
Foreign exchange gain, net	1,475	-
Miscellaneous income	<u>-</u>	<u>604</u>
	<u>152,827</u>	<u>127,548</u>

OctoPlus 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)**2.11 : Employee benefits expense**

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	12,147	59,069
	<u>12,147</u>	<u>59,069</u>

2.12 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Legal and professional	-	13,351
Selling expenses	1,317	1,723
Rent	16,375	18,492
Insurance	7,626	15,591
Foreign exchange loss, net	-	134
Other general expenses	920	3,394
	<u>26,238</u>	<u>52,685</u>

2.13 : 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 2015 is ₹ 10,824 (previous year: ₹ 49,790).

2.14 : Deferred taxation

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

Particulars	As at 31 March 2015	As at 31 March 2014
Deferred tax assets / (liabilities)		
Fixed assets	-	1,132
Deferred tax asset, net	<u>-</u>	<u>1,132</u>

2.15 : The total tax expense for the company is computed and presented jointly with its subsidiaries as per the tax laws of Netherlands.

OctoPlus 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 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the period 1 April 2014 to 31 March 2015	For the period 1 April 2013 to 31 March 2014
i. Interest paid to / payable holding company and other group companies:		
Reddy Netherlands B.V.	34,996	13,662
OctoPlus Sciences B.V.	4,228	4,387
OctoPlus Development B.V.	9,227	17,901
OctoPlus PolyActive Sciences B.V.	7	7
Dr. Reddy's Laboratories SA, Switzerland	1,177	-
ii. Interest received / receivable from holding company and other group companies:		
OctoShare B.V.	30,544	17,370
OctoPlus Technologies B.V.	88,553	82,354
Chienna B.V.	32,254	27,221

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

Particulars	As at 31 March 2015	As at 31 March 2014
i. Due from holding company and other group companies (included in short term loans and advances):		
OctoShare B.V.	554,090	592,863
OctoPlus Technologies B.V.	1,590,645	1,819,128
Chienna B.V.	581,516	646,231
OctoPlus Development B.V.	44,415	-
ii. Due to holding company and other group companies (included in other current liabilities):		
OctoPlus Sciences B.V.	75,702	88,648
OctoPlus Development B.V.	8,000	563,094
OctoPlus PolyActive Sciences B.V.	132	154
iii. Due to holding company and other group companies (included in long term borrowings):		
Reddy Netherlands B.V.	1,540,526	927,818

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 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

Sameer Natu

Director

Place: Hyderabad

Date: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

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 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,285	1,285
Reserves and surplus	2.2	(81)	189
		<u>1,204</u>	<u>1,474</u>
Current liabilities			
Other current liabilities	2.3	3	3
		<u>3</u>	<u>3</u>
	TOTAL	<u>1,207</u>	<u>1,477</u>
ASSETS			
Current assets			
Short term loans and advances	2.4	1,207	1,477
		<u>1,207</u>	<u>1,477</u>
	TOTAL	<u>1,207</u>	<u>1,477</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 B.V.

Director

Place: Hyderabad

Date: 8 May 2015

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 year ended 31 March 2014	For the year ended 31 March 2013
Income			
Interest income		7	19
Total revenue		<u>7</u>	<u>19</u>
Total expenses		<u>-</u>	<u>-</u>
Profit before tax		7	19
Tax expense	2.7	-	-
Profit for the period		<u>7</u>	<u>19</u>
Earnings per share			
Basic - Par value EUR 1 per share		0.41	1.08
Diluted - Par value EUR 1 per share		0.41	1.08
Number of shares used in computing earnings per share			
Basic		18,000	18,000
Diluted		18,000	18,000

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

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

A Ramachandra Rao

Partner

Membership No. 9750

OctoPlus B.V.

Director

Place: Hyderabad

Date: 8 May 2015

OctoPlus PolyActive Sciences B.V.**Cash Flow Statement**

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Profit before tax	7	19
Adjustments:		
Operating cash flows before working capital changes	<u>7</u>	<u>19</u>
<i>Changes in operating assets and liabilities</i>		
Other assets and liabilities, net	<u>(7)</u>	<u>(19)</u>
Cash generated from / (used in) operations	-	-
Income taxes paid, net	<u>-</u>	<u>-</u>
Net cash from / (used in) operating activities	<u>-</u>	<u>-</u>
Cash flows from / (used in) investing activities		
Net cash used in investing activities	<u>-</u>	<u>-</u>
Cash flows from / (used in) financing activities		
Net cash from / (used in) financing activities	<u>-</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents	<u>-</u>	<u>-</u>
Cash and cash equivalents at the beginning of the year	-	-
Effect of foreign exchange gain on cash and cash equivalents	<u>-</u>	<u>-</u>
Cash and cash equivalents at the end of the year	<u><u>-</u></u>	<u><u>-</u></u>
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	-	-
Other bank balances	<u>-</u>	<u>-</u>
Cash and bank balances at the end of the year	<u><u>-</u></u>	<u><u>-</u></u>

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

OctoPlus B.V.

Director

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 8 May 2015

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 accounting principles generally accepted in India (“Indian GAAP”). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

d) *Interest income*

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

e) *Earnings per share*

The basic earnings per share (“EPS”) is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

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 2015	As at 31 March 2014
Authorised		
90,000 shares (previous year : 90,000) of Euro 1 each	<u>6,426</u>	<u>6,426</u>
Issued		
18,000 shares (previous year : 18,000) of Euro 1 each	<u>1,285</u>	<u>1,285</u>
Subscribed and paid-up		
18,000 shares (previous year : 18,000) of Euro 1 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 2015		As at 31 March 2014	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	18,000	1,285	18,000	1,285
Add : Shares issued during the year	-	-	-	-
Number of shares outstanding 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 2015		As at 31 March 2014	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
OctoPlus Sciences B.V.	18,000	100	18,000	100

2.2 : Reserves and surplus

	As at 31 March 2015	As at 31 March 2014
Foreign currency translation reserve		
Balance at the beginning of the period	198	(34)
Movement during the period	<u>(278)</u>	<u>232</u>
	<u>(80)</u>	<u>198</u>
Deficit		
Balance at the beginning of the period	(9)	(28)
Add: Current year profit	<u>7</u>	<u>19</u>
Balance carried forward	<u>(1)</u>	<u>(9)</u>
	<u>(81)</u>	<u>189</u>

2.3 Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Due to holding company and other group companies	<u>3</u>	<u>3</u>
	<u>3</u>	<u>3</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 2015	As at 31 March 2014
<i>Considered good</i>		
Advances to holding company and other group companies	1,207	1,477
	<u>1,207</u>	<u>1,477</u>

2.5 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2015 (previous year: Nil).

2.6 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i. Interest received from holding company and other group companies:		
OctoPlus B.V.	7	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 B.V.	132	154
OctoPlus Sciences B.V.	1,075	1,323
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 B.V.) financial as per the tax laws of Netherlands.

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 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 B.V.**
DirectorPlace: Hyderabad
Date: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

OctoPlus Sciences B.V.**Balance Sheet**

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

	Note	As at 31 March 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,285	1,285
Reserves and surplus	2.2	66,000	110,252
		67,285	111,537
Current liabilities			
Other current liabilities	2.3	69,821	73,880
		69,821	73,880
	TOTAL	137,106	185,417
ASSETS			
Non current assets			
Fixed assets			
Intangible assets	2.4	35,003	67,194
Non current investments	2.5	-	-
		35,003	67,194
Current assets			
Cash and bank balances	2.6	1,190	3
Short term loans and advances	2.7	100,913	118,220
		102,103	118,223
	TOTAL	137,106	185,417

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: 8 May 2015

for and on behalf of the Board of Directors

OctoPlus B.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 year ended 31 March 2015	For the year ended 31 March 2014
Income			
Interest income		5,525	5,675
Total revenue		5,525	5,675
Expenses			
Finance costs		3,649	3,455
Amortization expense	2.4	22,604	27,723
Other expenses	2.8	6,201	7,627
Total expenses		32,454	38,805
Loss before tax		(26,929)	(33,130)
Tax expense	2.11	-	-
Loss for the period		(26,929)	(33,130)
Earnings per share			
Basic - Par value EUR 1 per share		(1,496.06)	(1,840.56)
Diluted - Par value EUR 1 per share		(1,496.06)	(1,840.56)
Number of shares used in computing earnings per share			
Basic		18,000	18,000
Diluted		18,000	18,000

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

for and on behalf of the Board of Directors

A Ramachandra Rao
Partner
Membership No. 9750

OctoPlus B.V.
Director

Place: Hyderabad
Date: 8 May 2015

OctoPlus Sciences B.V.**Cash Flow Statement**

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Loss before tax	(26,929)	(33,130)
Adjustments:		
Depreciation and amortization expense	22,604	27,723
Operating cash flows before working capital changes	(4,325)	(5,407)
<i>Changes in operating assets and liabilities</i>		
Other assets and liabilities, net	5,697	5,243
Cash generated from / (used in) operations	1,373	(164)
Income taxes paid, net	-	-
Net cash from / (used in) operating activities	1,373	(164)
Cash flows from / (used in) investing activities		
Net cash from / (used in) investing activities	-	-
Cash flows from / (used in) financing activities		
Net cash from / (used in) financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	1,373	(164)
Cash and cash equivalents at the beginning of the year	3	143
Effect of foreign exchange gain on cash and cash equivalents	(186)	24
Cash and cash equivalents at the end of the year	1,190	3
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	1,190	3
Other bank balances	-	-
Cash and bank balances at the end of the year	1,190	3

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

OctoPlus B.V.

Director

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 8 May 2015

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 accounting principles generally accepted in India (“Indian GAAP”). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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 product related intangibles as 5 to 15 years.

The amortisation period and the amortisation method for intangible assets are reviewed at each financial year-end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

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.

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 individual investment.

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 and are not discounted to its present value.

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.

h) 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. The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. 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.

i) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

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 2015	As at 31 March 2014
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 2015		As at 31 March 2014	
	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 2015		As at 31 March 2014	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
OctoPlus B.V.	18,000	100	18,000	100

2.2 : Reserves and surplus

	As at 31 March 2015	As at 31 March 2014
Foreign currency translation reserve		
Balance at the beginning of the year	22,556	14
Movement during the period	(17,323)	22,542
	5,233	22,556
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	(160,455)	(127,325)
Add: Current year loss	(26,929)	(33,130)
Balance carried forward	(187,384)	(160,455)
	66,000	110,252

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 2015	As at 31 March 2014
Due to holding company and other group companies	69,821	73,661
Others	-	219
	<u>69,821</u>	<u>73,880</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 01.04.2014	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 01.04.2014	For the year / period	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Intangibles	98,463	-	-	(18,452)	80,011	31,269	22,604	-	(8,865)	45,008	35,003	67,194
Total	98,463	-	-	(18,452)	80,011	31,269	22,604	-	(8,865)	45,008	35,003	67,194
Previous year	82,757	-	-	15,706	98,463	2,534	27,723	-	1,012	31,269	67,194	

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 2015	As at 31 March 2014
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 2015	As at 31 March 2014
Bank balances		
In current accounts	<u>1,190</u>	<u>3</u>
	<u><u>1,190</u></u>	<u><u>3</u></u>

2.7 : Short term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Advances to holding company and other group companies	98,898	115,845
Balances with Statutory Agencies	281	-
Prepaid expenses	<u>1,734</u>	<u>2,375</u>
	<u><u>100,913</u></u>	<u><u>118,220</u></u>

2.8 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Legal and professional	6,184	7,559
Other general expenses	<u>17</u>	<u>68</u>
	<u><u>6,201</u></u>	<u><u>7,627</u></u>

2.9 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2015 (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 year ended 31 March 2015	For the year ended 31 March 2014
i. Interest received / receivable from holding company and other group companies:		
OctoShare B.V.	405	395
OctoPlus B.V.	4,228	4,387
OctoPlus Technologies B.V.	892	893
ii. Interest paid / payable to holding company and other group		
OctoPlus Development B.V.	3,369	3,174
Chienna B.V.	280	281

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

Particulars	As at 31 March 2015	As at 31 March 2014
i. Due from holding company and other group companies (included in short term loans and advances):		
OctoShare B.V.	7,258	8,499
OctoPlus B.V.	75,702	88,648
OctoPlus Technologies B.V.	15,938	18,698
ii. Due to holding company and other group companies (included in other current liabilities):		
OctoPlus Development B.V.	63,729	66,464
OctoPlus PolyActive Sciences B.V.	1,075	1,323
Chienna B.V.	5,016	5,874

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

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 in Netherlands, is a 100 % subsidiary of OctoPlus 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 B.V.
Director

Place: Hyderabad
Date: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

OctoPlus Technologies B.V.**Balance Sheet**

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

	Note	As at 31 March 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,428	1,428
Reserves and surplus	2.2	(3,078,090)	(3,435,843)
		<u>(3,076,662)</u>	<u>(3,434,415)</u>
Current liabilities			
Trade payables	2.4	-	3,386
Other current liabilities	2.5	3,078,920	3,476,346
Short term provisions	2.6	4,584	507
		<u>3,083,504</u>	<u>3,480,239</u>
	TOTAL	<u>6,842</u>	<u>45,824</u>
ASSETS			
Current assets			
Trade receivables	2.7	-	1,346
Cash and bank balances	2.8	3,661	82
Short term loans and advances	2.9	3,181	44,396
		<u>6,842</u>	<u>45,824</u>
	TOTAL	<u>6,842</u>	<u>45,824</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 B.V.**
Director

Place: Hyderabad

Date: 8 May 2015

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 year ended 31 March 2015	For the year ended 31 March 2014
Income			
Service income			9,002
Other income	2.10	-	2,087
Total revenue		<u>-</u>	<u>11,089</u>
Expenses			
Cost of material consumed (including packing material consumed)		-	4,384
Employee benefits expense	2.11	160,262	160,420
Finance costs	2.12	166,116	159,181
Other expenses	2.13	3,304	2,068
Total expenses		<u>329,682</u>	<u>326,053</u>
Loss before tax		(329,682)	(314,964)
Tax expense	2.16	-	-
Loss for the period		<u>(329,682)</u>	<u>(314,964)</u>
Earnings per share			
Basic - Par value EUR 1 per share		(16,484.11)	(15,748.20)
Diluted - Par value EUR 1 per share		(16,484.11)	(15,748.20)
Number of shares used in computing earnings per share			
Basic		20,000	20,000
Diluted		20,000	20,000

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.***for and on behalf of the Board of Directors***Chartered Accountants*

ICAI FRN : 002857S

A Ramachandra Rao

Partner

Membership No. 9750

OctoPlus B.V.

Director

Place: Hyderabad

Date: 8 May 2015

OctoPlus Technologies B.V.
Cash Flow Statement

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Loss before tax	(329,682)	(314,964)
Operating cash flows before working capital changes	(329,682)	(314,964)
<i>Changes in operating assets and liabilities</i>		
Trade receivables	1,261	(967)
Trade payables	(3,173)	(8,761)
Other assets and liabilities, net	335,739	339,854
Cash generated from operations	4,146	15,162
Income taxes paid, net	-	-
Net cash from operating activities	4,146	15,162
Cash flows from / (used in) investing activities		
Net cash from / (used in) investing activities	-	-
Cash flows from / (used in) financing activities		
Repayment of borrowings, net	-	(15,082)
Net cash from / (used in) financing activities	-	(15,082)
Net increase / (decrease) in cash and cash equivalents	4,146	81
Cash and cash equivalents at the beginning of the year	82	-
Effect of foreign exchange gain on cash and cash equivalents	(566)	2
Cash and cash equivalents at the end of the year	3,661	82
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	3,661	82
Other bank balances	-	-
Cash and bank balances at the end of the year	3,661	82

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

OctoPlus B.V.
Director

Place: Hyderabad
Date: 8 May 2015

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 accounting principles generally accepted in India (“Indian GAAP”). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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 and are not discounted to its present value.

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.

h) Earnings per share

The basic earnings per share (“EPS”) is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

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 2015	As at 31 March 2014
Authorised		
100,000 shares (previous year : 20,000) of Euro 1 each	<u>1,428</u>	<u>1,428</u>
Issued		
20,000 shares (previous year : 20,000) of Euro 1 each	<u>1,428</u>	<u>1,428</u>
Subscribed and paid-up		
20,000 shares (previous year : 20,000) of Euro 1 each	<u>1,428</u>	<u>1,428</u>
	<u>1,428</u>	<u>1,428</u>

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

Particulars	As at 31 March 2015		As at 31 March 2014	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding as at the beginning of the year	20,000	1,428	20,000	1,428
Add : Shares issued during the year	-	-	-	-
Number of shares outstanding as at the end of the year	20,000	1,428	20,000	1,428

(b) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of Euro 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 2015		As at 31 March 2014	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
OctoPlus B.V.	20,000	100	2,000,000	100

2.2 : Reserves and surplus

	As at 31 March 2015	As at 31 March 2014
Foreign currency translation reserve		
Balance at the beginning of the period	(502,203)	498
Movement during the period	<u>687,435</u>	<u>(502,701)</u>
	<u>185,232</u>	<u>(502,203)</u>
General reserve		
Balance at the beginning of the period	(735,981)	(735,981)
Movement during the period	<u>-</u>	<u>-</u>
	<u>(735,981)</u>	<u>(735,981)</u>
Deficit		
Balance at the beginning of the period	(2,197,659)	(1,882,695)
Add: Current period loss	<u>(329,682)</u>	<u>(314,964)</u>
Balance carried forward	<u>(2,527,341)</u>	<u>(2,197,659)</u>
	<u>(3,078,090)</u>	<u>(3,435,843)</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)**2.4 : Trade payables**

	As at 31 March 2015	As at 31 March 2014
Trade payable	-	3,386
	<u>-</u>	<u>3,386</u>

2.5 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Due to holding company and other group companies	3,051,188	3,430,122
Accrued expenses	8,562	16,188
Due to statutory authorities	2,468	1,546
Others	16,702	28,490
	<u>3,078,920</u>	<u>3,476,346</u>

2.6 : Short term provisions

	As at 31 March 2015	As at 31 March 2014
Provision for employee benefits	4,584	507
	<u>4,584</u>	<u>507</u>

2.7 : Trade receivables

	As at 31 March 2015	As at 31 March 2014
Unsecured		
Debts outstanding for a period exceeding six months	-	-
Other debts		
Considered good	-	1,346
	<u>-</u>	<u>1,346</u>

2.8 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Bank balances		
In current accounts	3,661	82
	<u>3,661</u>	<u>82</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**

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Advances to holding company and other group companies	-	43,235
Prepaid expenses	-	1,161
Balances with Statutory Agencies	3,181	-
	<u>3,181</u>	<u>44,396</u>

2.10 : Other income

	For the period 31 March 2015	For the period 31 March 2014
Interest income	-	2,086
Foreign exchange gain, net	-	1
	<u>-</u>	<u>2,087</u>

2.11 : Employee benefits expense

	For the period 31 March 2015	For the period 31 March 2014
Salaries, wages and bonus	154,530	127,488
Contribution to provident and other funds	4,891	23,610
Staff welfare expenses	841	9,322
	<u>160,262</u>	<u>160,420</u>

2.12 : Finance costs

	For the period 31 March 2015	For the period 31 March 2014
Interest expenses	166,116	159,181
	<u>166,116</u>	<u>159,181</u>

2.13 : Other expenses

	For the period 31 March 2015	For the period 31 March 2014
Legal and professional	-	179
Travelling and conveyance	2,870	1,547
Selling expenses	264	146
Bank charges	32	193
Other general expenses	138	3
	<u>3,304</u>	<u>2,068</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 2015 (previous year: Nil).

2.15 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest paid / payable to holding company and other group companies:		
i. companies:		
OctoPlus B.V.	88,553	82,354
OctoPlus Sciences B.V.	892	893
Chienna B.V.	11,422	11,436
OctoShare B.V.	64,528	64,498
OctoPlus Development B.V.	720	-
ii. Interest income from holding company and other group companies:		
OctoPlus Development B.V.	-	2,086

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

Particulars	As at 31 March 2015	As at 31 March 2014
i. Due to holding company and other group companies (included in other current liabilities):		
OctoPlus B.V.	1,590,645	1,819,128
OctoPlus Sciences B.V.	15,938	18,698
Chienna B.V.	204,502	239,475
OctoShare B.V.	1,155,308	1,352,821
OctoPlus Development B.V.	84,795	-
ii. Due from holding company and other group companies (included in short term loans and advances):		
OctoPlus Development B.V.	-	43,235

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

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 Netherlands, is a 100 % subsidiary of OctoPlus 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****OctoPlus B.V.**

Director

A Ramachandra Rao
Partner
Membership No. 9750

Place: Hyderabad
Date: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

OctoShare B.V.**Balance Sheet**

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

	Note	As at 31 March 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	2,472	2,472
Reserves and surplus	2.2	740,696	1,096,981
		<u>743,168</u>	<u>1,099,453</u>
Current liabilities			
Other current liabilities	2.3	820,505	849,357
Short term provisions		5,350	416
	2.4	<u>825,855</u>	<u>849,773</u>
	TOTAL	<u><u>1,569,022</u></u>	<u><u>1,949,226</u></u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	2	68
Long term loans and advances	2.6	298	433
		<u>300</u>	<u>501</u>
Current assets			
Cash and bank balances	2.7	2,995	128
Short term loans and advances	2.8	1,565,727	1,948,597
		<u>1,568,722</u>	<u>1,948,725</u>
	TOTAL	<u><u>1,569,022</u></u>	<u><u>1,949,226</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 B.V.

Director

Place: Hyderabad

Date: 8 May 2015

OctoShare 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 2015	For the year ended 31 March 2014
Income			
Service income		-	570
Revenue from operations		-	570
Other income	2.9	88,766	91,956
Total revenue		88,766	92,526
Expenses			
Cost of material consumed (including packing material consumed)		-	6
Employee benefits expense	2.10	206,293	237,643
Finance costs		39,769	26,517
Depreciation and amortization expense	2.5	62	491
Other expenses	2.11	15,931	105,057
Total expenses		262,055	369,714
Loss before tax		(173,288)	(277,188)
Tax expense	2.14	-	-
Loss for the period		(173,288)	(277,188)
Earnings per share			
Basic - Par value EUR 1 per share		(5,002.84)	(8,002.43)
Diluted - Par value EUR 1 per share		(5,002.84)	(8,002.43)
Number of shares used in computing earnings per share			
Basic		34,638	34,638
Diluted		34,638	34,638

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 B.V.
Director

Place: Hyderabad
Date: 8 May 2015

OctoShare B.V.
Cash Flow Statement

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Loss before tax	(173,288)	(277,188)
Adjustments:		
Depreciation and amortization expense	62	491
Effect of foreign exchange gain/(loss)	-	(7)
Operating cash flows before working capital changes	(173,227)	(276,704)
<i>Changes in operating assets and liabilities</i>		
Other assets and liabilities, net	176,561	298,634
Cash generated from operations	3,334	21,930
Income taxes paid, net	-	-
Net cash from operating activities	3,334	21,930
Cash flows from / (used in) investing activities		
Net cash from / (used in) investing activities	-	-
Cash flows from / (used in) financing activities		
Repayment of long term borrowings, net	-	(21,836)
Net cash used in financing activities	-	(21,836)
Net increase in cash and cash equivalents	3,334	94
Cash and cash equivalents at the beginning of the year	128	27
Effect of foreign exchange gain on cash and cash equivalents	(467)	7
Cash and cash equivalents at the end of the year	2,995	128
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	2,995	128
Other bank balances	-	-
Cash and bank balances at the end of the year	2,995	128

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 B.V.
Director

Place: Hyderabad
Date: 8 May 2015

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 accounting principles generally accepted in India (“Indian GAAP”). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

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

	Years
Office equipment	3 to10

Schedule II to the Companies Act, 2013 (“Schedule”) prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

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.

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.

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)

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.

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 and are not discounted to its present value.

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.

i) *Earnings per share*

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

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 2015	As at 31 March 2014
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 2015		As at 31 March 2014	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding as at the beginning of the year	34,638	2,472	34,638	2,472
Add : Shares issued during the year	-	-	-	-
Number of shares outstanding as at the end of the year	34,638	2,472	34,638	2,472

(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 2015		As at 31 March 2014	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
OctoPlus B.V.	34,638	100	34,638	100

2.2 : Reserves and surplus

	As at 31 March 2015	As at 31 March 2014
Foreign currency translation reserve		
Balance at the beginning of the period	215,065	(66)
Movement during the period	(182,997)	215,131
	32,068	215,065
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	(11,257)	265,931
Add: Current period loss	(173,288)	(277,188)
Balance carried forward	(184,545)	(11,257)
	740,696	1,096,981

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 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Accrued expenses	10,523	24,090
Due to statutory authorities	90,584	675
Due to holding company and other group companies	719,320	786,225
Others	78	38,367
	<u>820,505</u>	<u>849,357</u>

2.4 : Short term provisions

	As at 31 March 2015	As at 31 March 2014
Provision for employee benefits	5,350	416
	<u>5,350</u>	<u>416</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)

2.5 : Fixed assets

Description	Gross Block					Depreciation					Net Block	
	As at 01.04.2014	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 01.04.2014	For the year / period	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Office equipment	695	-	-	(130)	565	627	62	-	(125)	563	2	68
Total	695	-	-	(130)	565	627	62	-	(125)	563	2	68
Previous year	584	-	-	111	695	106	491	-	30	627	68	

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 : Long term loans and advances**

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Security deposits	298	433
	<u>298</u>	<u>433</u>

2.7 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Cash on hand	-	46
Bank balances		
In current accounts	2,995	82
	<u>2,995</u>	<u>128</u>

2.8 : Short term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Advances to holding company and other group companies	1,565,727	1,943,611
Prepaid expenses	-	4,923
Staff loans and advances	-	63
	<u>1,565,727</u>	<u>1,948,597</u>

2.9 : Other income

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest income	88,766	91,663
Foreign exchange gain, net	-	293
	<u>88,766</u>	<u>91,956</u>

2.10 : Employee benefits expense

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	195,011	189,646
Contribution to provident and other funds	10,648	29,170
Staff welfare expenses	634	18,827
	<u>206,293</u>	<u>237,643</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)

2.11 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Legal and professional	-	11,673
Carriage outward	-	7
Rates and taxes	-	4,183
Selling expenses	836	10,931
Repairs and Maintenance Expenses	53	16,415
Power and fuel	-	32,825
Travelling and conveyance	14,236	16,866
Communication	-	9,267
Rent	-	1,262
Other general expenses	806	1,628
	<u>15,931</u>	<u>105,057</u>

2.12 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2015 (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)

2.13 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i. Interest received from holding company and other group companies:		
OctoPlus Development B.V.	24,238	27,165
OctoPlus Technologies B.V.	64,528	64,498
ii. Interest paid to holding company and other group companies:		
OctoPlus B.V.	30,544	17,370
OctoPlus Sciences B.V.	405	395
Chienna B.V.	8,820	8,752

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

Particulars	As at 31 March 2015	As at 31 March 2014
i. Due from holding company and other group companies (included in short term loans and advances):		
OctoPlus Development B.V.	410,419	590,790
OctoPlus Technologies B.V.	1,155,308	1,352,821
ii. Due to holding company and other group companies (included in other current liabilities):		
OctoPlus B.V.	554,090	592,863
OctoPlus Sciences B.V.	7,258	8,499
Chienna B.V.	157,971	184,863

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

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 Netherlands, is a 100 % subsidiary of OctoPlus 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 B.V.
Director

Place: Hyderabad
Date: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

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 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	718	718
Reserves and surplus	2.2	18,519	7,812
		<u>19,237</u>	<u>8,530</u>
Non current liabilities			
Long term borrowings	2.3	930	708
Other long term liabilities		37	-
		<u>967</u>	<u>708</u>
Current liabilities			
Trade payables	2.4	59,856	102,486
Other current liabilities	2.5	11,643	13,673
Short term provisions	2.6	575	1,625
		<u>72,074</u>	<u>117,784</u>
	TOTAL	<u>92,278</u>	<u>127,022</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	3,060	2,570
Deferred tax assets, net	2.20	2,877	3,445
Long term loans and advances	2.8	735	689
		<u>6,672</u>	<u>6,704</u>
Current assets			
Inventories	2.9	28,924	39,469
Trade receivables	2.10	43,764	57,724
Cash and bank balances	2.11	1,946	3,006
Short term loans and advances	2.12	2,625	3,556
Other current assets	2.13	8,347	16,563
		<u>85,606</u>	<u>120,318</u>
	TOTAL	<u>92,278</u>	<u>127,022</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 Bulmann

Director

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 8 May 2015

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 2015	For the year ended 31 March 2014
Income			
Sales, net		141,205	162,736
Service income		33,097	8,695
Other operating revenues		9	46
Revenue from operations		174,311	171,477
Other income	2.14	6,559	1,851
Total revenue		180,870	173,328
Expenses			
Purchase of stock-in-trade (traded goods)		115,347	151,018
Changes in inventories of work-in-progress and stock-in-trade	2.15	10,543	(16,358)
Employee benefits expense	2.16	19,860	9,525
Finance costs	2.17	665	202
Depreciation expense	2.7	960	382
Other expenses	2.18	21,090	18,421
Total expenses		168,465	163,190
Profit before tax		12,405	10,138
Tax expense			
Current tax		2,810	2,332
Deferred tax expense / (benefit)		(1,112)	52
Profit for the year		10,707	7,754
Earnings per share			
Basic - Par value RUB 1 per share		0.23	0.17
Diluted - Par value RUB 1 per share		0.23	0.17
Number of shares used in computing earnings per share			
Basic		46,294,632	46,294,632
Diluted		46,294,632	46,294,632

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: 8 May 2015

OOO Dr. Reddy's Laboratories Limited
Cash Flow Statement

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Profit before taxation	12,405	10,138
Adjustments:		
Depreciation and amortization expense	960	382
Effect of foreign exchange loss	(5,988)	(1,408)
Interest income	(36)	(89)
Finance costs	665	202
(Profit) / Loss on sale of fixed assets, net	(26)	(15)
Provision for inventory obsolescence	267	86
Provision / (reversal of provision) for doubtful debts, net	(1,763)	1,845
Provision for doubtful advances, net	6	-
Operating cash flows before working capital changes	6,489	11,140
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(12,537.18)	2,049.61
Inventories	10,278	(16,444)
Trade payables	(10,463)	18,008
Other assets and liabilities, net	11,187	(11,938)
Cash generated from operations	4,954	2,816
Income taxes paid, net	(4,254)	(1,201)
Net cash from operating activities	701	1,615
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(482)	(751)
Proceeds from sale of tangible and intangible assets	199	20
Loans and advances given to holding company and other group companies, net	(18)	(19)
Interest received	6	51
Net cash used in investing activities	(295)	(700)
Cash flows from / (used in) financing activities		
Proceeds / (repayment) from long term borrowings, net	(375)	(589)
Interest paid	(665)	(202)
Net cash used in financing activities	(1,040)	(791)
Net increase / (decrease) in cash and cash equivalents	(634)	124
Cash and cash equivalents at the beginning of the year	3,006	3,710
Effect of foreign exchange gain on cash and cash equivalents	(426)	(829)
Cash and cash equivalents at the end of the year	1,946	3,006
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	1,946	3,006
Other bank balances	-	-
Cash and bank balances at the end of the year	1,946	3,006

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

Charles Bulhmann

Director

Place: Hyderabad

Date: 8 May 2015

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

d) *Inventories*

Inventories are valued at the lower of cost and net realisable value (NRV). Cost of inventories comprises all cost of purchase, production or conversion costs and other costs incurred in bringing the inventories to their present location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. The cost of all categories of inventory is determined using weighted average cost method. 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.

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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

Assets acquired on finance leases and leasehold improvements are depreciated over the period of the lease agreement or the useful life 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

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

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.

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.

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 and are not discounted to its present value.

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.

l) *Earnings per share*

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

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 2015	As at 31 March 2014
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 2015		As at 31 March 2014	
	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 2015		As at 31 March 2014	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Dr. Reddy's Laboratories SA (including shares held by nominees)	46,294,632	100	46,294,632	100

2.2 : Reserves and surplus

	As at 31 March 2015	As at 31 March 2014
Surplus		
Balance at the beginning of the year	7,812	58
Add: Current year profit / (loss)	10,707	7,754
	<u>18,519</u>	<u>7,812</u>

2.3 : Long term borrowings

	As at 31 March 2015	As at 31 March 2014
Long term maturities of finance lease obligations	<u>930</u>	<u>708</u>
	<u>930</u>	<u>708</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 2015	As at 31 March 2014
Payables to holding company and other group companies	59,196	101,050
Payables to others	660	1,436
	<u>59,856</u>	<u>102,486</u>

2.5 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Accrued expenses	10,232	12,971
Current maturities of finance lease obligations	467	531
Salary and bonus payable	845	-
Others	99	171
	<u>11,643</u>	<u>13,673</u>

2.6 : Short term provisions

	As at 31 March 2015	As at 31 March 2014
Provision for employee benefits	471	408
Income tax payable	104	1,217
	<u>575</u>	<u>1,625</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 01.04.2014	Additions	Deletions	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Vehicles										
Owned	264	137	-	401	234	41	-	275	126	30
Assets taken under finance lease	2,219	1,084	192	3,112	236	703	129	810	2,302	1,983
Plant and machinery	5	-	1	3	5	-	1	4	-	-
Furniture and fixtures and office equipment	910	402	122	1,190	353	216	12	557	633	557
Total tangible assets	3,398	1,623	315	4,706	828	960	142	1,647	3,060	2,570
Previous year	828	2,631	61	3,398	502	382	56	828	2,570	

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

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Loan to holding company and other group companies	423	609
Security deposits	312	80
	735	689

2.9 : Inventories
(Valued on weighted average basis)

	As at 31 March 2015	As at 31 March 2014
Stock-in-trade	28,924	39,467
Packing materials	-	2
	28,924	39,469

2.10 : Trade receivables

	As at 31 March 2015	As at 31 March 2014
Unsecured		
Debts outstanding for a period exceeding six months		
<i>Considered good</i>	-	3,404
<i>Considered doubtful</i>	656	3,324
Other debts		
<i>Considered good</i>	43,764	54,320
	44,420	61,048
<i>Less : Provision for doubtful debts</i>	(656)	(3,324)
	43,764	57,724

2.11 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Cash on hand	2	1
Bank balances		
In current accounts	548	3,005
In term deposit accounts	1,396	-
	1,946	3,006

2.12 : Short term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
Advances to material suppliers	53	421
Staff loans and advances	118	156
Balances with statutory agencies	1,251	1,825
Prepaid expenses	838	2
Other advances	365	1,152
	2,625	3,556

2.13 : Other current assets

	As at 31 March 2015	As at 31 March 2014
<i>Considered good</i>		
Other receivables from holding company and other group companies	8,347	16,563
	8,347	16,563

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 2015	For the year ended 31 March 2014
Interest income	36	89
Profit on sale of fixed assets, net	26	15
Foreign exchange gain, net	6,497	1,747
	6,559	1,851

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
<i>Opening</i>		
Stock-in-trade	39,467	23,109
	39,467	23,109
<i>Closing</i>		
Stock-in-trade	28,924	39,467
	28,924	39,467
<i>Net (increase) / decrease</i>	10,543	(16,358)

2.16 : Employee benefits expense

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	14,962	7,025
Contribution to provident and other funds	3,535	1,876
Staff welfare expenses	1,363	624
	19,860	9,525

2.17 : Finance costs

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest expenses	665	202
	665	202

2.18 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Advertisements	7,501	10,140
Selling expenses	7,073	3,149
Rent	1,509	474
Provision / (reversal of provision) for doubtful debts and advances, net	(2,132)	1,845
Other general expenses	7,139	2,813
	21,090	18,421

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 2015 (previous year: Nil).

2.20 : Deferred taxation

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

Particulars	As at 31 March 2015	As at 31 March 2014
Deferred tax assets / (liabilities)		
Trade receivables	3	5
Inventories	105	49
Current assets	(14)	172
Current liabilities	2,874	3,307
Fixed assets	(91)	(88)
Deferred tax asset, net	2,877	3,445

2.21 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	101,348	120,620
Dr. Reddy's Laboratories SA	6,691	9,674
ii. Sale and service income from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	31,616	8,695
iii. Interest income from holding company and other group companies:		
OOO DRS LLC	30	38

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

Particulars	As at 31 March 2015	As at 31 March 2014
i. Due from holding company and other group companies (included in advances and other assets):		
OOO DRS LLC	423	609
Dr. Reddy's Laboratories Limited	7,980	16,195
Dr. Reddy's Laboratories SA	367	368
ii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	57,582	99,115
Dr. Reddy's Laboratories SA	1,614	1,935

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 vehicles under finance lease. Future minimum lease payments under finance leases as at 31 March 2015 are as follows:

Particulars	Present value of minimum lease	Future interest	Minimum lease payments
Not later than 1 year	467	531	998
Later than 1 year and not later than 5 years	930	557	1,487
Beyond 5 years	-	-	-
Total	1,397	1,088	2,485

The company has taken vehicles 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

2.23 : 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 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

Charles Bulhmann

Director

Place: Hyderabad

Date: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

OOO DRS LLC Limited**Balance Sheet**

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

	Note	As at 31 March 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	29,520	29,520
Reserves and surplus	2.2	104,110	65,248
		133,630	94,768
Non current liabilities			
Long term borrowings	2.3	63,530	94,273
		63,530	94,273
Current liabilities			
Other current liabilities	2.4	27,003	42,264
		27,003	42,264
	TOTAL	224,163	231,305
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	206,232	206,556
Capital work-in-progress		6,815	6,815
		213,047	213,371
Current assets			
Cash and bank balances	2.6	74	431
Short term loans and advances	2.7	11,042	17,503
		11,116	17,934
	TOTAL	224,163	231,305

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: 8 May 2015

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 2015	For the year ended 31 March 2014
Income			
Foreign exchange gain, net		44,325	3,900
Total revenue		44,325	3,900
Expenses			
Finance costs	2.8	2,980	3,812
Depreciation expense	2.5	324	434
Other expenses	2.9	2,159	1,620
Total expenses		5,463	5,866
Profit / (loss) before tax		38,862	(1,966)
Tax expense		-	-
Profit / (loss) for the year		38,862	(1,966)

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: 8 May 2015

OOO DRS LLC Limited**Cash Flow Statement**

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Profit / (loss) before taxation	38,862	(1,966)
Adjustments:		
Depreciation and amortization expense	324	434
Effect of foreign exchange loss	(44,280)	(3,863)
Finance costs	2,980	3,812
Operating cash flows before working capital changes	(2,114)	(1,583)
<i>Changes in operating assets and liabilities</i>		
Other assets and liabilities, net	338	(291)
Cash used in operations	(1,775)	(1,873)
Income taxes paid, net	-	-
Net cash used in operating activities	(1,775)	(1,873)
Cash flows from / (used in) investing activities		
Net cash from / (used) in investing activities	-	-
Cash flows from / (used in) financing activities		
Proceeds from long term borrowings, net	1,511	1,889
Net cash from financing activities	1,511	1,889
Net increase / (decrease) in cash and cash equivalents	(264)	16
Cash and cash equivalents at the beginning of the year	431	429
Effect of foreign exchange gain on cash and cash equivalents	(93)	(14)
Cash and cash equivalents at the end of the year	74	431
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	74	431
Other bank balances	-	-
Cash and bank balances at the end of the year	74	431

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: 8 May 2015

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

Land is not depreciated.

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

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.

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.

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.

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 (continued)

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 and are not discounted to its present value.

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 2015	As at 31 March 2014
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 2015		As at 31 March 2014	
	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 2015	As at 31 March 2014
Foreign currency translation reserve		
Balance at the beginning of the year	-	122
Movement during the year	<u>-</u>	<u>(122)</u>
	<u>-</u>	<u>-</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	(57,284)	(55,318)
Add: Current year profit / (loss)	<u>38,862</u>	<u>(1,966)</u>
Balance carried forward	<u>(18,422)</u>	<u>(57,284)</u>
	<u>104,110</u>	<u>65,248</u>

2.3 : Long term borrowings

	As at 31 March 2015	As at 31 March 2014
Borrowings from holding company and other group companies	<u>63,530</u>	<u>94,273</u>
	<u>63,530</u>	<u>94,273</u>

2.4 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Other current liabilities	<u>27,003</u>	<u>42,264</u>
	<u>27,003</u>	<u>42,264</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 01.04.2014	Additions	Deletions	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Land	205,449	-	-	205,449	-	-	-	-	205,449	205,449
Building	3,822	-	-	3,822	2,715	324	-	3,039	783	1,107
Total Tangible Assets	209,271	-	-	209,271	2,715	324	-	3,039	206,232	206,556
Previous year	209,271	-	-	209,271	2,281	434	-	2,715	206,556	

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 2015	As at 31 March 2014
Bank balances		
In current accounts	74	431
	74	431
	74	431

2.7 : Short term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Balances with statutory agencies	150	332
Other advances	10,892	17,171
	11,042	17,503
	11,042	17,503

2.8 : Finance costs

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest expenses	2,980	3,812
	2,980	3,812
	2,980	3,812

2.9 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Legal and professional	729	913
Rates and taxes	1,426	705
Other general expenses	4	2
	2,159	1,620
	2,159	1,620

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 2015 (previous year: Nil).

2.11 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i. Interest paid / payable to holding company and other group companies:		
OOO Dr. Reddy's Laboratories Limited	2,980	3,812

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

Particulars	As at 31 March 2015	As at 31 March 2014
i. Due to holding company and other group companies (included in long term borrowings):		
OOO Dr. Reddy's Laboratories Limited	42,333	60,855
Reddy Antilles N.V.	21,197	33,418

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: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

Promius Pharma LLC**Balance Sheet**

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

	Note	As at 31 March 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	17,127	17,127
Reserves and surplus	2.2	(67,120)	(43,407)
		<u>(49,993)</u>	<u>(26,280)</u>
Non current liabilities			
Other long term liabilities	2.3	1,138	1,126
		<u>1,138</u>	<u>1,126</u>
Current liabilities			
Trade payables	2.4	329	-
Other current liabilities	2.3	65,594	42,344
Short term provisions	2.5	3,029	1,061
		<u>68,952</u>	<u>43,405</u>
	TOTAL	<u>20,097</u>	<u>18,251</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	1	6
Intangible assets	2.6	13,368	14,919
Capital work-in-progress		-	99
Long term loans and advances	2.7	750	20
		<u>14,119</u>	<u>15,044</u>
Current assets			
Inventories	2.8	479	676
Trade receivables	2.9	1,357	147
Cash and bank balances	2.10	229	319
Short term loans and advances	2.11	1,957	1,857
Other current assets	2.12	1,956	208
		<u>5,978</u>	<u>3,207</u>
	TOTAL	<u>20,097</u>	<u>18,251</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: 8 May 2015

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 2015	For the year ended 31 March 2014
Income			
Sales, net		6,529	16,678
Other operating revenues		-	4
Revenue from operations		6,529	16,682
Other income		2	-
Total revenue		6,531	16,682
Expenses			
Purchase of stock-in-trade (traded goods)		1,363	1,721
Changes in inventory of stock-in-trade	2.13	197	(101)
Conversion charges		50	31
Employee benefits expense	2.14	4,750	6,904
Interest Expenses		127	80
Depreciation and amortization expense	2.6	3,069	3,026
Other expenses	2.15	18,958	17,019
Total expenses		28,514	28,680
Loss before tax		(21,983)	(11,998)
Tax expense	2.18	-	-
Loss for the year		(21,983)	(11,998)

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: 8 May 2015

Promius Pharma LLC**Cash Flow Statement**

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Loss before taxation	(21,983)	(11,998)
Adjustments:		
Depreciation and amortization expense	3,069	3,026
Allowance for sales returns	3,970	1,068
Finance costs	127	80
Provision for inventory obsolescence	622	70
Provision for doubtful advances, net	3	2
Operating cash flows before working capital changes	(14,192)	(7,753)
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(1,177)	2,832
Inventories	(400)	(111)
Trade payables	323	(199)
Other assets and liabilities, net	16,297	5,417
Cash generated from operations	851	186
Income taxes paid, net	(6)	(2)
Net cash from operating activities	844	184
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(816)	(102)
Net cash used in investing activities	(816)	(102)
Cash flows from / (used in) financing activities		
Repayment from long term borrowings, net	(3)	(14)
Interest paid	(127)	(80)
Net cash used in financing activities	(130)	(94)
Net decrease in cash and cash equivalents	(102)	(12)
Cash and cash equivalents at the beginning of the year	319	300
Effect of foreign exchange gain on cash and cash equivalents	12	31
Cash and cash equivalents at the end of the year	229	319
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	229	319
Other bank balances	-	-
Cash and bank balances at the end of the year	229	319

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: 8 May 2015

for and on behalf of the Board of Directors

Satish Reddy

Director

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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's 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. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

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 (NRV). Cost of inventories comprises all cost of purchase, production or conversion costs and other costs incurred in bringing the inventories to their present location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. The cost of all categories of inventory is determined using weighted average cost method. 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.

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 recognised 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:

- 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.

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)

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.

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 and are not discounted to its present value.

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.

l) 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. The recoverable amount of an asset or CGU is the greater of its value in use and its net selling price. 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.

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 2015	As at 31 March 2014
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 2015		As at 31 March 2014	
	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 2015	As at 31 March 2014
Foreign currency translation reserve		
Balance at the beginning of the year	(871)	354
Movement during the year	<u>(1,730)</u>	<u>(1,225)</u>
	<u>(2,601)</u>	<u>(871)</u>
Deficit		
Balance at the beginning of the year	(42,536)	(30,538)
Add: Current year loss	<u>(21,983)</u>	<u>(11,998)</u>
Balance carried forward	<u>(64,519)</u>	<u>(42,536)</u>
	<u>(67,120)</u>	<u>(43,407)</u>

2.3 : Other liabilities

a) Other long term liabilities

	As at 31 March 2015	As at 31 March 2014
Other liabilities - non current	<u>1,138</u>	<u>1,126</u>
	<u>1,138</u>	<u>1,126</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 2015	As at 31 March 2014
Current maturities of finance lease obligations	2	5
Due to capital creditors	1	-
Due to holding company and other group companies	61,527	36,913
Accrued expenses	1,881	2,196
Salary and bonus payable	685	824
Others	1,498	2,406
	<u>65,594</u>	<u>42,344</u>

2.4 : Trade Payables

	As at 31 March 2015	As at 31 March 2014
Payables to holding company and other group companies	14	-
Payables to others	315	-
	<u>329</u>	<u>-</u>

2.5 : Short term provisions

	As at 31 March 2015	As at 31 March 2014
Provision for employee benefits	17	16
Allowance for sales returns	3,012	1,045
	<u>3,029</u>	<u>1,061</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)

2.6 : Fixed assets

Description	Gross Block					Depreciation / Amortization					Net Block	
	As at 01.04.2014	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Office equipment	255	-	-	11	266	249	5	-	11	265	1	6
Total tangible assets (A)	255	-	-	11	266	249	5	-	11	265	1	6
Intangibles	26,773	917	-	1,176	28,866	11,854	3,064	-	579	15,498	13,368	14,919
Total intangible assets (B)	26,773	917	-	1,176	28,866	11,854	3,064	-	579	15,498	13,368	14,919
Total (A+B)	27,028	917	-	1,187	29,132	12,103	3,069	-	590	15,763	13,369	14,925
Previous year	24,492	-	4	2,540	27,028	8,252	3,026	4	829	12,103	14,925	

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)

2.7 : Long term loans and advances

Unsecured	As at 31 March 2015	As at 31 March 2014
<i>Considered good</i>		
Advance tax, net of provision for income taxes	22	15
Security deposits	728	5
	<u>750</u>	<u>20</u>

2.8 : Inventories
(Valued on weighted average basis)

	As at 31 March 2015	As at 31 March 2014
Stock-in-trade	479	676
	<u>479</u>	<u>676</u>

2.9 : Trade receivables

Unsecured	As at 31 March 2015	As at 31 March 2014
Debts outstanding for a period exceeding six months		
Other debts	-	-
Considered good	1,357	147
	<u>1,357</u>	<u>147</u>

2.10 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Bank balances		
In current accounts	229	319
	<u>229</u>	<u>319</u>

2.11: Short term loans and advances

Unsecured	As at 31 March 2015	As at 31 March 2014
<i>Considered good</i>		
Advances to material suppliers	30	189
Prepaid expenses	136	149
Other advances	1,791	1,519
<i>Considered doubtful</i>		
Other advances recoverable in cash or in kind or for value to be received	5	2
	<u>1,962</u>	<u>1,859</u>
Less : Provision for doubtful loans and advances	(5)	(2)
	<u>1,957</u>	<u>1,857</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)

2.12 : Other current assets

	As at 31 March 2015	As at 31 March 2014
<i>Considered good</i>		
Other receivables from holding company and other group companies	1,956	208
	<u>1,956</u>	<u>208</u>

2.13 : Changes in inventory of stock-in-trade

	For the year ended 31 March 2015	For the year ended 31 March 2014
<i>Opening</i>		
Stock-in-trade	676	575
<i>Closing</i>		
Stock-in-trade	479	676
<i>Net (Increase)</i>	<u>197</u>	<u>(101)</u>

2.14 : Employee benefits expense

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	3,592	5,855
Contribution to provident and other funds	614	497
Staff welfare expenses	544	552
	<u>4,750</u>	<u>6,904</u>

2.15 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Legal and professional	663	413
Carriage outward	160	39
Rates and taxes	159	152
Other research and development expenditure	12,204	9,342
Selling expenses	3,161	3,692
Travelling and conveyance	352	597
Rent	177	374
Insurance	14	7
Foreign exchange loss, net	-	5
Provision on doubtful advances and receivables	3	2
Advertisements	584	231
Other general expenses	1,481	2,165
	<u>18,958</u>	<u>17,019</u>

2.16 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2015 (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)

2.17 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i. Sales and services rendered to holding company and other group companies:		
Dr. Reddy's Laboratories Inc.	2,727	860
Dr. Reddy's Laboratories (Australia) Pty. Limited	112	-
ii. Reimbursement of operating expenses by holding company and other group companies:		
Dr. Reddy's Laboratories Limited	-	185
iii. Reimbursement of operating expenses to holding company and other group companies:		
Dr. Reddy's Laboratories (Australia) Pty. Limited	104	105
iv. Purchases and services from holding company and other group companies:		
Aurigene Discovery Technologies Limited	5	-
Dr. Reddy's Laboratories Limited	9	-

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

Particulars	As at 31 March 2015	As at 31 March 2014
i. Due from holding company and other group companies (included in other current assets):		
Dr. Reddy's Laboratories Limited	93	207
Dr. Reddy's Laboratories New York Inc.	-	1
Dr. Reddy's Laboratories Inc.	1,863	-
ii. Due to holding company and other group companies (included in other current liabilities):		
Dr. Reddy's Laboratories Inc.	61,511	36,913
Dr. Reddy's Laboratories Louisiana LLC	16	-
iii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	9	-
Aurigene Discovery Technologies Limited	5	-
iv. Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's Laboratories (Australia) Pty. Limited	122	105
Dr. Reddy's Laboratories Limited	9	-

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 :** 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.
- 2.19 :** **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 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

A Ramachandra Rao
Partner
Membership No. 9750

Place: Hyderabad
Date: 8 May 2015

for and on behalf of the Board of Directors

Satish Reddy
Director

G.V. Prasad
Director

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

Reddy Antilles N.V.**Balance Sheet**

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

	Note	As at 31 March 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	52,279	52,279
Reserves and surplus	2.2	(173,490)	(149,112)
		<u>(121,211)</u>	<u>(96,833)</u>
Non current liabilities			
Long term borrowings	2.3	324,561	311,137
		<u>324,561</u>	<u>311,137</u>
Current liabilities			
Other current liabilities	2.4	16,079	19,184
Short term provisions	2.5	32	30
		<u>16,111</u>	<u>19,214</u>
	TOTAL	<u>219,461</u>	<u>233,518</u>
ASSETS			
Non current assets			
Non current investments	2.6	159,500	159,500
Long term loans and advances	2.7	57,652	68,174
		<u>217,152</u>	<u>227,674</u>
Current assets			
Cash and bank balances	2.8	185	3,640
Short term loans and advances	2.9	2,124	2,204
		<u>2,309</u>	<u>5,844</u>
	TOTAL	<u>219,461</u>	<u>233,518</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: 8 May 2015

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 2015	For the year ended 31 March 2014
Total revenue		-	-
Expenses			
Loss on disposal of investment		-	204,894
Other expenses	2.10	24,378	27,211
Total expenses		<u>24,378</u>	<u>232,105</u>
Loss before tax		(24,378)	(232,105)
Tax expense		-	-
Loss for the year		<u>(24,378)</u>	<u>(232,105)</u>
Earnings per share			
Basic - Par value USD 1 per share		(21.54)	(205.10)
Diluted - Par value USD 1 per share		(21.54)	(205.10)
Number of shares used in computing earnings per share			
Basic		1,131,646	1,131,646
Diluted		1,131,646	1,131,646

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: 8 May 2015

Reddy Antilles N.V.**Cash Flow Statement**

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Loss before taxation	(24,378)	(232,105)
Adjustments:		
Loss on disposal of investment	-	204,894
Effect of foreign exchange gain/(loss)	11,350	23,732
Operating cash flows before working capital changes	(13,028)	(3,479)
<i>Changes in operating assets and liabilities</i>		
Other assets and liabilities, net	(3,675)	466
Cash used in operations	(16,704)	(3,013)
Income taxes paid, net	-	-
Net cash used in operating activities	(16,704)	(3,013)
Cash flows from / (used in) investing activities		
Loans and advances repaid by holding company and other group companies, net	13,170	4,155
Net cash from investing activities	13,170	4,156
Net increase / (decrease) in cash and cash equivalents	(3,533)	1,143
Cash and cash equivalents at the beginning of the year	3,640	2,272
Effect of foreign exchange gain on cash and cash equivalents	78	225
Cash and cash equivalents at the end of the year	185	3,640
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	185	3,640
Other bank balances	-	-
Cash and bank balances at the end of the year	185	3,640

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: 8 May 2015

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 accounting principles generally accepted in India (“Indian GAAP”). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

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 individual investment.

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 and are not discounted to its present value.

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 profit after tax for the year by the weighted average number of equity shares outstanding during the year.

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 2015	As at 31 March 2014
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 2015		As at 31 March 2014	
	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	1,131,646	52,279
Shares issued during the year	-	-	-	-
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 2015		As at 31 March 2014	
	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 2015	As at 31 March 2014
Surplus / (Deficit)		
Balance at the beginning of the year	(149,112)	82,993
Add: Current year loss	<u>(24,378)</u>	<u>(232,105)</u>
Balance carried forward	<u>(173,490)</u>	<u>(149,112)</u>
	<u>(173,490)</u>	<u>(149,112)</u>

2.3 : Long term borrowings

	As at 31 March 2015	As at 31 March 2014
Borrowings from holding company and other group companies	<u>324,561</u>	<u>311,137</u>
	<u>324,561</u>	<u>311,137</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 2015	As at 31 March 2014
Due to holding company and other group companies	16,079	19,184
	<u>16,079</u>	<u>19,184</u>

2.5 : Short term provisions

	As at 31 March 2015	As at 31 March 2014
Income tax payable	32	30
	<u>32</u>	<u>30</u>

2.6 : Non current investments

	As at 31 March 2015	As at 31 March 2014
Non current investments at cost		
<i>In Subsidiary Companies</i>		
Eurobridge Consulting B.V.	159,500	159,500
	<u>159,500</u>	<u>159,500</u>

2.7 : Long term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Loans and advances to holding company and other group	57,652	68,174
	<u>57,652</u>	<u>68,174</u>

2.8 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Bank balances		
In current accounts	185	3,640
	<u>185</u>	<u>3,640</u>

2.9 : Short term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Advances to material suppliers	947	908
Prepaid expenses	63	63
Other advances	1,114	1,233
	<u>2,124</u>	<u>2,204</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 2015	For the year ended 31 March 2014
Legal and professional	985	1,150
Foreign exchange loss, net	23,197	25,860
Other general expenses	196	201
	24,378	27,211
	24,378	27,211

2.11 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2015 (previous year: Nil).

2.12 : Related party disclosures

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

Particulars	As at 31 March 2015	As at 31 March 2014
i. Due from holding company and other group companies (included in long term loans and advances):		
Reddy Netherlands B.V	32,576	32,428
OOO DRS LLC	21,197	33,418
Eurobridge Consulting B.V.	3,879	2,328
ii. Due to holding company and other group companies (included in long term borrowings and other current liabilities):		
Dr. Reddy's Laboratories Limited	340,640	330,321

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: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

Reddy Cheminor S.A.**Balance Sheet**

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

	Note	As at 31 March 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,958	1,958
Reserves and surplus	2.2	(1,929)	(1,923)
		<u>29</u>	<u>35</u>
	TOTAL	<u>29</u>	<u>35</u>
ASSETS			
Current assets			
Current investments			
Inventories			
Trade receivables			
Cash and bank balances	2.3	29	35
		<u>29</u>	<u>35</u>
	TOTAL	<u>29</u>	<u>35</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: 8 May 2015

G.V. Prasad

Director

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 2015	For the year ended 31 March 2014
Income			
Other income		-	156
Total revenue		<u>-</u>	<u>156</u>
Expenses			
Foreign exchange loss, net		6	54
Total expenses		<u>6</u>	<u>54</u>
Profit / (Loss) before tax		(6)	102
Tax expense		-	-
Profit / (Loss) for the year		<u>(6)</u>	<u>102</u>
Earnings per share			
Basic - Par value EUR 16 per share		(2.40)	40.80
Diluted - Par value EUR 16 per share		(2.40)	40.80
Number of shares used in computing earnings per share			
Basic		2,500	2,500
Diluted		2,500	2,500

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: 8 May 2015

for and on behalf of the Board of Directors

Satish Reddy

Director

G.V. Prasad

Director

Reddy Cheminor S.A.**Cash Flow Statement**

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Profit/(loss) before taxation	(6)	102
Adjustments:		
Effect of foreign exchange gain/(loss)	6	54
Operating cash flows before working capital changes	<u>-</u>	<u>156</u>
<i>Changes in operating assets and liabilities</i>		
Trade payables	-	(1,592)
Other assets and liabilities, net	-	1,447
Cash generated from operations	<u>-</u>	<u>11</u>
Income taxes paid, net		
Net cash from operating activities	<u>-</u>	<u>11</u>
Cash flows from / (used in) investing activities		
Net cash from / (used in) investing activities	<u>-</u>	<u>-</u>
Cash flows from / (used in) financing activities		
Net cash from / (used in) financing activities	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	<u>-</u>	<u>11</u>
Cash and cash equivalents at the beginning of the year	35	30
Effect of foreign exchange gain on cash and cash equivalents	(6)	(6)
Cash and cash equivalents at the end of the year	<u><u>29</u></u>	<u><u>35</u></u>
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	29	35
Other bank balances	-	-
Cash and bank balances at the end of the year	<u><u>29</u></u>	<u><u>35</u></u>

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: 8 May 2015

for and on behalf of the Board of Directors

Satish Reddy
DirectorG.V. Prasad
Director

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 accounting principles generally accepted in India (“Indian GAAP”). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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. Examples of such estimates include estimation of useful lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

d) *Earnings per share*

The basic earnings per share (“EPS”) is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

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 2015	As at 31 March 2014
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 2015		As at 31 March 2014	
	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 2015		As at 31 March 2014	
	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 2015	As at 31 March 2014
Deficit		
Balance at the beginning of the year	(1,923)	(2,025)
Add: Current year profit / (loss)	<u>(6)</u>	<u>102</u>
Balance carried forward	<u>(1,929)</u>	<u>(1,923)</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)

2.3 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Cash on hand	<u>29</u>	<u>35</u>
	<u><u>29</u></u>	<u><u>35</u></u>

2.4 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2015 (previous year: Nil).

2.5 : Comparative figures

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

2.6 : 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

Satish Reddy
Director

A Ramachandra Rao
Partner
Membership No. 9750

G.V. Prasad
Director

Place: Hyderabad
Date: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

Reddy Holding GmbH**Balance Sheet**

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

	Note	As at 31 March 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,519	1,519
Reserves and surplus	2.2	13,828,944	3,901,860
		13,830,463	3,903,379
Non current liabilities			
Long term borrowings	2.3	11,312,775	27,094,123
		11,312,775	27,094,123
Current liabilities			
Other current liabilities	2.4	97,378	143,084
Short term provisions	2.5	1,415,424	576,107
		1,512,802	719,191
	TOTAL	26,656,040	31,716,693
ASSETS			
Non current assets			
Non current investments	2.6	26,063,322	26,063,322
Deferred tax assets, net	2.15	570,369	115,677
Long term loans and advances	2.7	347	5,474,128
		26,634,038	31,653,127
Current assets			
Cash and bank balances	2.8	21,607	63,373
Short term loans and advances	2.9	395	193
		22,002	63,566
	TOTAL	26,656,040	31,716,693

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

Dr. Clemens J. Troche

Director

A Ramachandra Rao

Partner

Membership No. 9750

Sameer Natu

Director

Place: Hyderabad

Date: 8 May 2015

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 2015	For the year ended 31 March 2014
Income			
Other operating revenues		151,138	29,717
Revenue from operations		151,138	29,717
Other income	2.10	7,584,020	225,440
Total revenue		7,735,158	255,157
Expenses			
Employee benefits expense	2.11	170,961	161,511
Finance costs	2.12	356,374	744,853
Other expenses	2.13	64,349	84,303
Total expenses		591,684	990,667
Profit / (Loss) before tax		7,143,474	(735,510)
Tax expense	2.17		
Current tax		1,031,236	604,973
Deferred tax		(549,415)	332,142
Profit / (Loss) for the year		6,661,653	(1,672,625)

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

Dr. Clemens J. Troche
Director

Sameer Natu
Director

Place: Hyderabad
Date: 8 May 2015

Reddy Holding GmbH**Cash Flow Statement**

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Profit before taxation	7,143,474	(735,510)
Adjustments:		
Interest income	(1,582)	(225,440)
Finance costs	356,374	744,853
Operating cash flows before working capital changes	7,498,266	(216,097)
<i>Changes in operating assets and liabilities</i>		
Other assets and liabilities, net	57,872	1,755,927
Cash generated from / (used in) operations	7,556,138	1,539,830
Income taxes paid, net	26,399	(19,277)
Net cash from / (used in) operating activities	7,582,537	1,520,553
Cash flows from / (used in) investing activities		
Loans and advances repaid by / (given to) holding company and other group companies	5,130,068	(5,371,038)
Interest received	1,582	225,440
Net cash from / (used in) investing activities	5,131,650	(5,145,598)
Cash flows from / (used in) financing activities		
Proceeds from issuance of share capital	-	16,061,371
Repayment of long term borrowings, net	(12,842,262)	(8,114,912)
Proceeds / (repayment) from short term borrowings, net	449,975	(3,518,681)
Interest paid	(356,374)	(744,853)
Net cash from / (used) in financing activities	(12,748,661)	3,682,926
Net increase / (decrease) in cash and cash equivalents	(34,474)	57,880
Cash and cash equivalents at the beginning of the year	63,373	3,683
Effect of foreign exchange gain on cash and cash equivalents	(7,293)	1,810
Cash and cash equivalents at the end of the year	21,607	63,373
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	21,607	63,373
Other bank balances	-	-
Cash and bank balances at the end of the year	21,607	63,373

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: 8 May 2015

for and on behalf of the Board of Directors

Dr. Clemens J. Troche

Director

Sameer Natu

Director

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

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)

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) 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.

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 individual investment.

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 and are not discounted to its present value.

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 2015	As at 31 March 2014
Authorised		
Euro 27,000 (previous year : 27,000 Euro)	<u>1,519</u>	<u>1,519</u>
Issued		
Euro 27,000 (previous year : 27,000 Euro)	<u>1,519</u>	<u>1,519</u>
Subscribed and paid-up		
Euro 27,000 (previous year : 27,000 Euro)	<u>1,519</u>	<u>1,519</u>
	<u>1,519</u>	<u>1,519</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 2015		As at 31 March 2014	
	Amount in Euros ('000)	% of equity shares	Amount in Euros ('000)	% of equity shares
Dr. Reddy's Laboratories SA	27	100	27	100

2.2 : Reserves and surplus

	As at 31 March 2015	As at 31 March 2014
<i>Foreign currency translation reserve</i>		
Balance at the beginning of the year	(9,050,356)	(3,268,082)
Movement during the year	<u>3,265,431</u>	<u>(5,782,274)</u>
	<u>(5,784,925)</u>	<u>(9,050,356)</u>
<i>Securities premium reserve</i>		
Balance at the beginning of the year	22,015,908	5,954,706
Movement during the year	<u>-</u>	<u>16,061,202</u>
	<u>22,015,908</u>	<u>22,015,908</u>
<i>Deficit</i>		
Balance at the beginning of the year	(9,063,692)	(7,391,067)
Add: Current year profit / (loss)	<u>6,661,653</u>	<u>(1,672,625)</u>
Balance carried forward	<u>(2,402,039)</u>	<u>(9,063,692)</u>
	<u>13,828,944</u>	<u>3,901,860</u>

2.3 : Borrowings

	As at 31 March 2015	As at 31 March 2014
a) Long term borrowings		
Borrowings from holding company and other group companies	<u>11,312,775</u>	<u>27,094,123</u>
	<u>11,312,775</u>	<u>27,094,123</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)

2.4 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Accrued expenses	57,025	69,196
Due to holding company and other group companies	-	43,762
Others	40,353	30,126
	<u>97,378</u>	<u>143,084</u>

2.5 : Short term provisions

	As at 31 March 2015	As at 31 March 2014
Income tax payable	1,415,424	576,107
	<u>1,415,424</u>	<u>576,107</u>

2.6 : Non current investments

	As at 31 March 2015	As at 31 March 2014
Non current investments at cost		
In Subsidiary companies	26,063,322	26,063,322
	<u>26,063,322</u>	<u>26,063,322</u>

2.7 : Long term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Security deposits	347	576
Loans and advances to holding company and other group companies	-	5,473,552
	<u>347</u>	<u>5,474,128</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 2015	As at 31 March 2014
Cash on hand	79	193
Bank balances		
In current accounts	21,528	63,180
	<u>21,607</u>	<u>63,373</u>

2.9 : Short term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Advances to material suppliers	260	23
Staff loans and advances	135	170
	<u>395</u>	<u>193</u>

2.10 : Other income

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest income	1,582	225,440
Profit share from holding company and other group companies	7,582,438	-
	<u>7,584,020</u>	<u>225,440</u>

2.11 : Employee benefits expense

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	143,353	137,022
Contribution to provident and other funds	20,170	17,548
Staff welfare expenses	7,438	6,941
	<u>170,961</u>	<u>161,511</u>

2.12 : Finance costs

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest expenses	356,374	744,853
	<u>356,374</u>	<u>744,853</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)

2.13 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Legal and professional	17,063	18,155
Communication	9,168	12,152
Other general expenses	38,118	53,996
	64,349	84,303

2.14 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2015 (previous year: Nil).

2.15 : Deferred taxation

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

Particulars	As at 31 March 2015	As at 31 March 2014
Deferred tax assets / (liabilities)		
Current assets	-	147,993
Loss carry forward	472,774	-
Trade receivables	-	57,050
Current Liabilities	89,227	51,249
Inventory	(6,472)	(7,965)
Fixed assets	14,840	(132,650)
Deferred tax asset, net	570,369	115,677

2.16 : Related party disclosures

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

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i. Interest paid / payable to holding company and other group companies:		
Dr. Reddy's Laboratories SA	224,606	18,346
Lacock Holdings Limited	131,768	624,705
ii. Interest income from holding company and other group companies:		
betapharm Arzneimittel GmbH	-	162,608
Dr. Reddy's Laboratories SA	-	62,832
iii. Profit share from holding company and other group companies:		
betapharm Arzneimittel GmbH	7,582,438	-
iv. Reimbursement of operating and other expenses by holding company and other group companies:		
betapharm Arzneimittel GmbH	137,637	-
beta Institut gemeinnützige GmbH	3,244	-
v. Reimbursement of operating and other expenses to holding company and other group companies:		
betapharm Arzneimittel GmbH	13,758	-

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)

2.16 : Related party disclosures (continued)

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

Particulars	As at	As at
	31 March 2015	31 March 2014
i. Due to holding company and other group companies (included in borrowings and trade payables):		
Dr. Reddy's Laboratories SA	11,312,775	-
Lacock Holdings Limited	-	27,094,123
Dr. Reddy's Laboratories Limited		43,762
ii. Due from holding company and other group companies (included in long term loans and advances):		
betapharm Arzneimittel GmbH	-	5,473,552

2.17 : The total tax expense for the Company is computed and presented jointly with its subsidiaries as per the tax laws of Germany.

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 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**

Dr. Clemens J. Troche

Director

A Ramachandra Rao

Partner

Membership No. 9750

Sameer Natu

Director

Place: Hyderabad

Date: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

Reddy Specialities GmbH**Balance Sheet**

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

	Note	As at 31 March 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,350	1,350
Reserves and surplus	2.2	177	377
		<u>1,527</u>	<u>1,727</u>
Current liabilities			
Other current liabilities	2.3	292	168
		<u>292</u>	<u>168</u>
	TOTAL	<u>1,819</u>	<u>1,895</u>
ASSETS			
Current assets			
Cash and bank balances	2.4	1,817	1,869
Short term loans and advances	2.5	1	-
Other current assets	2.6	-	26
		<u>1,818</u>	<u>1,895</u>
	TOTAL	<u>1,819</u>	<u>1,895</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

Dr. Clemens J. Troche

Director

A Ramachandra Rao

Partner

Membership No. 9750

Abhijit Mukherjee

Director

Place: Hyderabad

Date: 8 May 2015

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 2015	For the year ended 31 March 2014
Income			
Other income	2.7	398	2
Total revenue		<u>398</u>	<u>2</u>
Expenses			
Finance costs		-	2
Other expenses	2.8	397	332
Total expenses		<u>397</u>	<u>334</u>
Profit/(Loss) before tax		1	(332)
Tax expense	2.9	-	-
Profit/(Loss) for the year		<u><u>1</u></u>	<u><u>(332)</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)

Dr. Clemens J. Troche

Director

A Ramachandra Rao

Partner

Membership No. 9750

Abhijit Mukherjee

Director

Place: Hyderabad

Date: 8 May 2015

Reddy Specialities GmbH**Cash Flow Statement**

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Profit / (loss) before taxation	1	(332)
Adjustments:		
Interest income	(398)	(2)
Operating cash flows before working capital changes	(397)	(334)
<i>Changes in operating assets and liabilities</i>		
Other assets and liabilities, net	343	345
Cash generated from / (used in) operations	(54)	11
Income taxes paid, net	-	-
Net cash from / (used in) operating activities	(54)	11
Cash flows from / (used in) investing activities		
Interest received	398	2
Net cash from / (used in) investing activities	398	2
Cash flows from / (used in) financing activities		
Net cash from / (used in) financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	344	13
Cash and cash equivalents at the beginning of the year	1,869	1,560
Effect of foreign exchange gain on cash and cash equivalents	(396)	296
Cash and cash equivalents at the end of the year	1,817	1,869
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	1,817	1,869
Other bank balances	-	-
Cash and bank balances at the end of the year	1,817	1,869

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: 8 May 2015

for and on behalf of the Board of Directors

Dr. Clemens J. Troche

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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 and are not discounted to its present value.

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 2015	As at 31 March 2014
Authorised		
Euro 25,000 (previous year : Euro 25,000)*	1,350	1,350
Issued		
Euro 25,000 (previous year : Euro 25,000)*	1,350	1,350
Subscribed and paid-up		
Euro 25,000 (previous year : Euro 25,000)*	1,350	1,350
	1,350	1,350

* 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 2015		As at 31 March 2014	
	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 2015	As at 31 March 2014
Foreign currency translation reserve		
Balance at the beginning of the year	48,008	47,686
Movement during the year	(201)	322
	47,807	48,008
Deficit		
Balance at the beginning of the year	(47,631)	(47,299)
Add: Current year profit / (loss)	1	(332)
Balance carried forward	(47,630)	(47,631)
	177	377

2.3 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Other current liabilities	292	168
	292	168

2.4 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Bank balances		
In current accounts	1,817	1,869
	1,817	1,869

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

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Advance tax, net of provision for income taxes	1	-
	<u>1</u>	<u>-</u>

2.6 : Other current assets

	As at 31 March 2015	As at 31 March 2014
<i>Considered good</i>		
Other current assets	-	26
	<u>-</u>	<u>26</u>

2.7 : Other income

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest income	398	2
	<u>398</u>	<u>2</u>

2.8 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Legal and professional	350	295
Rates and taxes	27	15
Other general expenses	20	22
	<u>397</u>	<u>332</u>

2.9 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2015 (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 : There are no related party transactions during the year ended 31 March 2015 and 31 March 2014, respectively.

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 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: 8 May 2015

for and on behalf of the Board of Directors

Dr. Clemens J. Troche
Director

Abhijit Mukherjee
Director

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

Reddy Netherlands B.V.**Balance Sheet**

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

	Note	As at 31 March 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	6,626	6,626
Reserves and surplus	2.2	3,788,929	3,957,833
		3,795,555	3,964,459
Non current liabilities			
Long term borrowings	2.3	32,576	32,425
		32,576	32,425
Current liabilities			
Other current liabilities	2.4	3,125	2,463
Short term provisions	2.5	18,276	20,801
		21,401	23,264
	TOTAL	3,849,532	4,020,148
ASSETS			
Non current assets			
Non current investments	2.6	1,958,211	1,958,211
Long term loans and advances	2.7	1,540,526	927,817
		3,498,737	2,886,028
Current assets			
Trade receivables	2.8	-	992,220
Cash and bank balances	2.9	350,226	10,075
Short term loans and advances	2.10	460	131,825
Other current assets	2.11	109	-
		350,795	1,134,120
	TOTAL	3,849,532	4,020,148

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: 8 May 2015

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 2015	For the year ended 31 March 2014
Income			
License fees		-	1,013,072
Other operating revenues		181	-
Other income	2.12	35,835	66,114
Total revenue		<u>36,016</u>	<u>1,079,186</u>
Expenses			
Other expenses	2.13	451,939	893,652
Total expenses		<u>451,939</u>	<u>893,652</u>
Profit / (Loss) before tax		(415,923)	185,534
Tax expense			
Current tax		1,382	21,238
Profit / (Loss) for the year		<u>(417,305)</u>	<u>164,296</u>
Earnings per share			
Basic - Par value EUR 50 per share		(130,407.81)	51,342.50
Diluted - Par value EUR 50 per share		(130,407.81)	51,342.50
Number of shares used in computing earnings per share			
Basic		3,200	3,200
Diluted		3,200	3,200

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: 8 May 2015

Reddy Netherlands B.V.**Cash Flow Statement**

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Profit/(Loss) before taxation	(415,923)	185,534
Adjustments:		
Effect of foreign exchange gain/(loss)	407,718	(91,031)
Interest income	(35,835)	(13,953)
Operating cash flows before working capital changes	(44,040)	80,550
<i>Changes in operating assets and liabilities</i>		
Trade receivables	929,913	(972,129)
Other assets and liabilities, net	128,428	(56,259)
Cash generated from / (used in) operations	1,014,300	(947,838)
Income taxes paid, net	(3,907)	(21,238)
Net cash from / (used in) operating activities	1,010,393	(969,076)
Cash flows from / (used in) investing activities		
Purchase of investments	-	(24,336)
Loans and advances given to holding company and other group companies, net	(907,193)	(585,347)
Interest received	35,726	13,953
Net cash used in investing activities	(871,467)	(595,730)
Cash flows from / (used in) financing activities		
Proceeds from issuance of share capital	248,401	1,548,197
Proceeds from / (repayment of) long term borrowings, net	7,159	(2,028)
Net cash from financing activities	255,560	1,546,169
Net increase / (decrease) in cash and cash equivalents	394,487	(18,638)
Cash and cash equivalents at the beginning of the year	10,075	24,433
Effect of foreign exchange gain on cash and cash equivalents	(54,336)	4,280
Cash and cash equivalents at the end of the year	350,226	10,075
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	350,226	10,075
Other bank balances	-	-
Cash and bank balances at the end of the year	350,226	10,075

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: 8 May 2015

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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:

- 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.

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 and are not discounted to its present value.

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.

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 individual investment.

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.

h) *Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, “short-term” means investments having maturity of three months or less from the date of investment.

i) *Earnings per share*

The basic earnings per share (“EPS”) is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

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 2015	As at 31 March 2014
Authorised		
3,200 (previous year : 3,200) shares of Euro 50 each	6,626	6,626
Issued		
3,200 (previous year : 3,200) shares of Euro 50 each	6,626	6,626
Subscribed and paid-up		
3,200 (previous year : 3,200) shares of Euro 50 each	6,626	6,626
	6,626	6,626

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

Particulars	As at 31 March 2015		As at 31 March 2014	
	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 2015		As at 31 March 2014	
	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 2015	As at 31 March 2014
Securities premium reserve		
Balance at the beginning of the year	4,002,685	2,454,488
Movement during the year	248,401	1,548,197
	4,251,086	4,002,685
Deficit		
Balance at the beginning of the year	(44,852)	(209,148)
Add: Current year profit / (loss)	(417,305)	164,296
Balance carried forward	(462,157)	(44,852)
	3,788,929	3,957,833

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 2015	As at 31 March 2014
Unsecured		
Borrowings from holding company and other group companies	32,576	32,425
	<u>32,576</u>	<u>32,425</u>

2.4 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Accrued expenses	3,125	2,463
	<u>3,125</u>	<u>2,463</u>

2.5 : Short term provisions

	As at 31 March 2015	As at 31 March 2014
Income tax payable	18,276	20,801
	<u>18,276</u>	<u>20,801</u>

2.6 : Non current investments

	As at 31 March 2015	As at 31 March 2014
Non current investments at cost		
<i>In Subsidiary Companies</i>		
OctoPlus N.V.	1,958,211	1,958,211
	<u>1,958,211</u>	<u>1,958,211</u>

2.7 : Long term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Loan to holding company and other group companies	1,540,526	927,817
	<u>1,540,526</u>	<u>927,817</u>

2.8 : Trade Receivables

	As at 31 March 2015	As at 31 March 2014
Unsecured		
Debts outstanding for a period exceeding six months	-	-
Other debts		
Considered good	-	992,220
	<u>-</u>	<u>992,220</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 2015	As at 31 March 2014
Bank balances		
In current accounts	13,769	10,075
In term deposit accounts	336,457	-
	350,226	10,075

2.10 : Short term loans and advances

	As at 31 March 2015	As at 31 March 2014
Unsecured		
<i>Considered good</i>		
Trade advance to holding company and other group companies	-	1,170
Balances with statutory agencies	460	130,655
	460	131,825

2.11 : Other current assets

	As at 31 March 2015	As at 31 March 2014
Interest receivable	109	-
	109	-

2.12 : Other income

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest income	35,835	13,953
Foreign exchange gain, net	-	52,161
	35,835	66,114

2.13 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Legal and professional	22,006	891,018
Foreign exchange loss, net	429,830	-
Other general expenses	103	2,634
	451,939	893,652

2.14 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2015 (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)

2.15 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
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. Professional services from holding company and other group companies:		
OctoPlus Development B.V.	-	680,849
iii. Interest income from holding company and other group companies:		
Octoplus B.V.	34,996	13,662

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

Particulars	As at 31 March 2015	As at 31 March 2014
i. Due from holding company and other group companies (included in loans and advances & trade receivables):		
Octoplus B.V.	1,540,526	927,817
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.	32,576	32,425

2.16 : Comparative figures

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

2.17 : 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: 8 May 2015

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

Reddy Pharma Iberia SA**Balance Sheet**

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

	Note	As at 31 March 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	566,018	566,018
Reserves and surplus	2.2	(519,684)	(526,918)
		<u>46,334</u>	<u>39,100</u>
Non current liabilities			
Other long term liabilities	2.4	-	551
		<u>-</u>	<u>551</u>
Current liabilities			
Trade payables	2.3	643	571
Other current liabilities	2.4	1,512	10,326
		<u>2,155</u>	<u>10,897</u>
	TOTAL	<u>48,489</u>	<u>50,548</u>
ASSETS			
Current assets			
Trade receivables	2.5	5,196	5,708
Cash and bank balances	2.6	43,293	44,840
		<u>48,489</u>	<u>50,548</u>
	TOTAL	<u>48,489</u>	<u>50,548</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: 8 May 2015

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 2015	For the year ended 31 March 2014
Income			
License fees		19,724	27,257
Revenue from operations		<u>19,724</u>	<u>27,257</u>
Other income	2.7	5	84
Total revenue		<u>19,729</u>	<u>27,341</u>
Expenses			
Employee benefits expense	2.8	152	10,040
Other expenses	2.9	3,040	3,506
Total expenses		<u>3,192</u>	<u>13,546</u>
Profit before tax		<u>16,537</u>	<u>13,795</u>
Tax expense		-	-
Profit for the year		<u>16,537</u>	<u>13,795</u>
Earnings per share			
Basic - Par value EUR 1 per share		1.82	1.52
Diluted - Par value EUR 1 per share		1.82	1.52
Number of shares used in computing earnings per share			
Basic		9,066,000	9,066,000
Diluted		9,066,000	9,066,000

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

for and on behalf of the Board of Directors

A Ramachandra Rao

Partner

Membership No. 9750

Sameer Natu

Director

M.V. Narasimham

Director

Place: Hyderabad

Date: 8 May 2015

Reddy Pharma Iberia SA**Cash Flow Statement**

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Cash flows from / (used in) operating activities		
Profit before taxation	16,537	13,795
Adjustments:		
Interest income	(5)	(84)
Operating cash flows before working capital changes	16,532	13,711
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(643)	(5,601)
Trade payables	207	(3,547)
Other assets and liabilities, net	(8,193)	3,227
Cash generated from operations	7,902	7,791
Income taxes paid, net	-	-
Net cash from operating activities	7,902	7,791
Cash flows from / (used in) investing activities		
Interest received	5	84
Net cash used in investing activities	5	84
Cash flows from / (used in) financing activities		
Repayment of long term borrowings, net	-	(48)
Net cash used in financing activities	-	(48)
Net increase in cash and cash equivalents	7,907	7,828
Cash and cash equivalents at the beginning of the year	44,840	30,982
Effect of foreign exchange gain on cash and cash equivalents	(9,454)	6,031
Cash and cash equivalents at the end of the year	43,293	44,840
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	43,293	44,840
Other bank balances	-	-
Cash and bank balances at the end of the year	43,293	44,840

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

Place: Hyderabad

Date: 8 May 2015

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 accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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 and are not discounted to its present value.

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.

f) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

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 2015	As at 31 March 2014
Authorised		
9,066,000 shares (previous year : 9,066,000) of Euro 1 each	<u>566,018</u>	<u>566,018</u>
Issued		
9,066,000 shares (previous year : 9,066,000) of Euro 1 each	<u>566,018</u>	<u>566,018</u>
Subscribed and paid-up		
9,066,000 shares (previous year : 9,066,000) of Euro 1 each	<u>566,018</u>	<u>566,018</u>
	<u>566,018</u>	<u>566,018</u>

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

Particulars	As at 31 March 2015		As at 31 March 2014	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	9,066,000	566,018	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	9,066,000	566,018

(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 2015		As at 31 March 2014	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
Dr. Reddy's Laboratories Limited	9,066,000	100	9,066,000	100

2.2 : Reserves and surplus

	As at 31 March 2015	As at 31 March 2014
Foreign currency translation reserve		
Balance at the beginning of the year	4,943	1,255
Movement during the year	<u>(9,303)</u>	<u>3,688</u>
	<u>(4,360)</u>	<u>4,943</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	(531,902)	(545,697)
Add: Current year profit	16,537	13,795
Balance carried forward	<u>(515,365)</u>	<u>(531,902)</u>
	<u>(519,684)</u>	<u>(526,918)</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 : Trade Payables**

	As at 31 March 2015	As at 31 March 2014
Trade payable	643	571
	<u>643</u>	<u>571</u>

2.4 : Other liabilities

	As at 31 March 2015	As at 31 March 2014
a) Other long term liabilities		
Deferred revenue - non current	-	551
	<u>-</u>	<u>551</u>

b) Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Accrued expenses	304	6,729
Due to statutory authorities	760	1,025
Others	448	2,572
	<u>1,512</u>	<u>10,326</u>

2.5 : Trade receivables

	As at 31 March 2015	As at 31 March 2014
Unsecured		
Debts outstanding for a period exceeding six months	-	-
Other debts		
Considered good	5,196	5,708
	<u>5,196</u>	<u>5,708</u>

2.6 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Bank balances		
In current accounts	43,293	44,840
	<u>43,293</u>	<u>44,840</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)**2.7 : Other income**

	For the year ended 31 March 2015	For the year ended 31 March 2014
Interest income	5	84
	<u>5</u>	<u>84</u>

2.8 : Employee benefits expense

	For the year ended 31 March 2015	For the year ended 31 March 2014
Salaries, wages and bonus	152	10,040
	<u>152</u>	<u>10,040</u>

2.9 : Other expenses

	For the year ended 31 March 2015	For the year ended 31 March 2014
Legal and professional	1,576	559
Rates and taxes	836	139
Travelling and conveyance	2	493
Communication	61	152
Rent	274	1,088
Insurance	-	23
Bank charges	55	129
Other general expenses	236	923
	<u>3,040</u>	<u>3,506</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 2015 (previous year: Nil).

2.14: Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i. Operating expenses paid / payable to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	-	601

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: 8 May 2015

M.V. Narasimham
Director

Independent 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 2015, the statement of profit and loss for the year ended on that date annexed thereto and cash flow statement for the year then ended. Management is responsible for the preparation of these financial statements, prepared to comply with the requirements of section 136 of the Companies Act, 2013, 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 section 133 of the Companies Act, 2013, to the extent applicable and relevant to a company incorporated outside India.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, only to the extent applicable and relevant to a company incorporated outside India. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent, 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 carried out for the limited purpose of complying with Sec 136. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India specified under section 143(10) of the Act, only to the extent applicable and relevant to a company incorporated outside 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.

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, to the extent applicable and relevant to a company incorporated outside India, 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 2015;
- (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.

Independent Auditors' Report (continued)

Report on other Legal and Regulatory Requirements

As required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit carried out for the limited purpose of complying with Sec 136.
- 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, the 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, but only 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: 8 May 2015

Reddy Pharma Italia S.p.A.**Balance Sheet**

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

		As at 31 March 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	62,794	62,794
Reserves and surplus	2.2	<u>(139,636)</u>	<u>(191,077)</u>
		<u>(76,842)</u>	<u>(128,283)</u>
Non current liabilities			
Long term borrowings	2.3	<u>1,054,547</u>	<u>1,297,741</u>
		<u>1,054,547</u>	<u>1,297,741</u>
Current liabilities			
Trade payables	2.4	-	3,473
Other current liabilities	2.5	<u>4,241</u>	<u>35,960</u>
		<u>4,241</u>	<u>39,433</u>
	TOTAL	<u>981,946</u>	<u>1,208,891</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	368	449
Non current investments	2.7	172,878	172,878
Long term loans and advances	2.8	<u>792,500</u>	<u>942,067</u>
		<u>965,746</u>	<u>1,115,394</u>
Current assets			
Cash and bank balances	2.9	6,310	14,101
Short term loans and advances	2.10	848	1,208
Other current assets	2.11	<u>9,042</u>	<u>78,188</u>
		<u>16,200</u>	<u>93,497</u>
	TOTAL	<u>981,946</u>	<u>1,208,891</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: 8 May 2015

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 2015	For the year ended 31 March 2014
Sales, gross		-	-
Other income		2,497	28,664
Total revenue		2,497	28,664
Expenses			
Employee benefits expense		951	56,268
Depreciation expense	2.6	-	171
Other expenses	2.12	8,993	6,851
Total expenses		9,944	63,290
Loss before tax		(7,447)	(34,626)
Tax expense		-	-
Loss for the year		(7,447)	(34,626)
Earnings per share			
Basic - Par value EUR 1 per share		(62.06)	(288.55)
Diluted - Par value EUR 1 per share		(62.06)	(288.55)
Number of shares used in computing earnings per share			
Basic		120,000	120,000
Diluted		120,000	120,000

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: 8 May 2015

for and on behalf of the Board of Directors

Satish Reddy

Director

Sameer Natu

Director

Reddy Pharma Italia S.p.A.**Cash Flow Statement**

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

	For the year ended 31 March 2015	For the year ended 31 March 2014
Loss before taxation	(7,447)	(34,626)
Adjustments:		
Depreciation and amortization expense	-	171
Operating cash flows before working capital changes	(7,447)	(34,455)
<i>Changes in operating assets and liabilities</i>		
Trade payables	(3,452)	(0)
Other assets and liabilities, net	38,175	24,466
Cash generated from / (used in) operations	27,277	(9,989)
Income taxes paid, net	(483)	-
Net cash from / (used in) operating activities	26,793	(9,989)
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	-	(18)
Loans and advances repaid by / (given to) holding company and other group companies, net	(33,306)	23,384
Net cash from / (used in) investing activities	(33,306)	23,366
Cash flows from / (used in) financing activities		
Net cash from / (used in) financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	(6,513)	13,377
Cash and cash equivalents at the beginning of the year	14,101	393
Effect of foreign exchange gain on cash and cash equivalents	(1,278)	331
Cash and cash equivalents at the end of the year	6,310	14,101
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	6,310	14,101
Other bank balances	-	-
Cash and bank balances at the end of the year	6,310	14,101

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: 8 May 2015

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

The financial statements have been prepared and presented in accordance with the accounting principles generally accepted in India ("Indian GAAP"). Indian GAAP comprises Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 2013.

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 lives of tangible and intangible assets, valuation of inventories, assessment of recoverable amounts of deferred tax assets and cash generating units, provision for sales returns, rebates and chargebacks, provision for obligations relating to employees, provisions against litigations and contingencies. 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 Schedule III to the Companies Act, 2013.

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.

Assets acquired on finance leases and leasehold improvements are depreciated over the period of the lease agreement or the useful life whichever is shorter. Land is not depreciated.

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.

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 individual investment.

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.

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 (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 and are not discounted to its present value.

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.

h) Earnings per share

The basic earnings per share ("EPS") is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year.

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

	As at 31 March 2015	As at 31 March 2014
Authorised		
120,000 (previous year : 120,000) equity share of 1 Euro each	<u>62,794</u>	<u>62,794</u>
Issued		
120,000 (previous year : 120,000) equity share of 1 Euro each	<u>62,794</u>	<u>62,794</u>
Subscribed and paid-up		
120,000 (previous year : 120,000) equity share of 1 Euro each	<u>62,794</u>	<u>62,794</u>
	<u>62,794</u>	<u>62,794</u>

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

Particulars	As at 31 March 2015		As at 31 March 2014	
	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 2015		As at 31 March 2014	
	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 2015	As at 31 March 2014
Foreign currency translation reserve		
Balance at the beginning of the year	(48,769)	(5,525)
Movement during the year	<u>58,888</u>	<u>(43,244)</u>
	<u>10,119</u>	<u>(48,769)</u>
Deficit		
Balance at the beginning of the year	(142,308)	(107,682)
Add: Current year loss	<u>(7,447)</u>	<u>(34,626)</u>
Balance carried forward	<u>(149,755)</u>	<u>(142,308)</u>
	<u>(139,636)</u>	<u>(191,077)</u>

2.3 : Long term borrowings

	As at 31 March 2015	As at 31 March 2014
Borrowings from holding company and other group companies	<u>1,054,547</u>	<u>1,297,741</u>
	<u>1,054,547</u>	<u>1,297,741</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 2015	As at 31 March 2014
Trade payable	-	3,473
	<u>-</u>	<u>3,473</u>

2.5 : Other current liabilities

	As at 31 March 2015	As at 31 March 2014
Accrued expenses	3,509	31,595
Due to statutory authorities	277	336
Others	455	4,029
	<u>4,241</u>	<u>35,960</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)

Description	Gross Block					Depreciation					Net Block	
	As at 01.04.2014	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 01.04.2014	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2015	As at 31.03.2015	As at 31.03.2014
Leasehold improvements	2,861	-	-	(1,034)	1,827	2,412	-	-	(953)	1,459	368	449
Total	2,861	-	-	(1,034)	1,827	2,412	-	-	(953)	1,459	368	449
Previous year	2,454	18	-	389	2,861	1,933	171	-	308	2,412	449	

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)

Non current investments at cost	As at 31 March 2015	As at 31 March 2014
<i>In Subsidiary Companies</i>		
Dr. Reddy's Srl	172,878	172,878
	<u>172,878</u>	<u>172,878</u>

2.8 : Long term loans and advances

Unsecured	As at 31 March 2015	As at 31 March 2014
<i>Considered good</i>		
Loan to holding company and other group companies	791,498	940,955
Advance tax, net of provision for income taxes	498	276
Security deposits	504	836
	<u>792,500</u>	<u>942,067</u>

2.9 : Cash and bank balances

	As at 31 March 2015	As at 31 March 2014
Cash on hand	3	74
Bank balances		
In current accounts	6,307	14,027
	<u>6,310</u>	<u>14,101</u>

2.10 : Short term loans and advances

Unsecured	As at 31 March 2015	As at 31 March 2014
<i>Considered good</i>		
Balances with statutory agencies	12	383
Prepaid expenses	581	584
Other advances	255	241
	<u>848</u>	<u>1,208</u>

2.11 : Other current assets

	As at 31 March 2015	As at 31 March 2014
<i>Considered good</i>		
Other receivables from holding company and other group companies	8,785	77,685
Other current assets	257	503
	<u>9,042</u>	<u>78,188</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)

	For the year ended 31 March 2015	For the year ended 31 March 2014
Legal and professional	1,786	2,256
Travelling and conveyance	405	118
Communication	356	338
Rent	2,502	2,559
Printing and stationery	953	664
Auditors' remuneration	842	844
Other general expenses	2,149	72
	8,993	6,851

2.13: Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2015 (previous year: Nil).

2.14: Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2015	For the year ended 31 March 2014
i. Other operating revenues from holding company and other group companies:		
Dr. Reddy's Srl	2,497	28,664

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

Particulars	As at 31 March 2015	As at 31 March 2014
i. Due from holding company and other group companies (included in long term loans and advances):		
Dr. Reddy's Srl	791,498	940,955
ii. Due from holding company and other group companies (included in Other current assets):		
Dr. Reddy's Srl	8,785	77,685
iii. Due to holding company and other group companies (included in long term borrowings):		
Lacock Holdings Limited	1,054,547	1,297,741

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)

2.15: 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 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

Place: Hyderabad

Date: 8 May 2015

Sameer Natu
Director