



**Good health
starts from
within.**

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 gemeinnutzige GmbH
5	betapharm Arzneimittel GmbH
6	Cheminor Investments Limited
7	Chienna B.V.
8	Chiretech 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 Japan KK
19	Dr. Reddy's Laboratories LLC, Ukraine
20	Dr. Reddy's Laboratories Louisiana LLC
21	Dr. Reddy's Laboratories New York, Inc.
22	Dr. Reddy's Laboratories Romania SRL
23	Dr. Reddy's Laboratories SA
24	Dr. Reddy's Laboratories SAS
25	Dr. Reddy's Laboratories Tennessee, LLC
26	Dr. Reddy's New Zealand Limited
27	Dr. Reddy's Pharma SEZ Limited
28	Dr. Reddy's Singapore PTE. LTD.
29	Dr. Reddy's Srl
30	Dr. Reddy's Venezuela, C.A.
31	DRL Impex Limited
32	Euro Bridge Consulting B.V.
33	Idea2Enterprises (India) Private Limited
34	Industrias Quimicas Falcon de Mexico, S.A. de CV
35	Kunshan Rotam Reddy Pharmaceutical Company Limited
36	Lacock Holdings Limited
37	OctoPlus B.V.
38	Octoplus Development B.V.
39	OctoPlus PolyActive Sciences B.V.
40	OctoPlus Sciences B.V.
41	OctoPlus Technologies B.V.
42	OctoShare B.V.
43	OOO Dr. Reddy's Laboratories Limited
44	OOO DRS LLC
45	Promius Pharma LLC
46	Reddy Antilles N.V.
47	Reddy Cheminor S.A. (under liquidation)
48	Reddy Holding GmbH
49	Reddy Netherlands B.V.
50	Reddy Pharma Iberia SA
51	Reddy Pharma Italia S.R.L
52	Reddy Pharma SAS
53	Reddy Specialities GmbH

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended ,and a summary of the 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,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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

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 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	15,604	15,604
Reserves and surplus	2.2	7,330	1,301
		22,934	16,905
Current liabilities			
Trade payables	2.3	-	272
Other current liabilities	2.4	5,233	3,810
		5,233	4,082
	TOTAL	28,167	20,987
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	6,966	6,957
Long term loans and advances	2.6	1,057	1,033
		8,023	7,990
Current assets			
Trade receivables	2.7	3,527	3,721
Cash and bank balances	2.8	15,172	8,275
Short term loans and advances	2.9	1,445	1,001
		20,144	12,997
	TOTAL	28,167	20,987

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 2016

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 2016	For the year ended 31 March 2015
Income			
Service income		95,423	40,697
Revenue from operations		95,423	40,697
Other income	2.10	633	-
Total revenue		96,056	40,697
Expenses			
Cost of technical sub-contractors		43,494	8,849
Employee benefits expense	2.11	15,999	16,432
Depreciation expense	2.5	5,239	5,657
Other expenses	2.12	25,273	6,898
Total expenses		90,005	37,835
Profit before tax		6,051	2,862
Tax expense			
Current tax		22	-
Profit for the year		6,029	2,862
Earnings per share			
Basic - Par value MYR 1 per share		6.03	2.86
Diluted - Par value MYR 1 per share		6.03	2.86
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: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Profit before taxation	6,051	2,862
Adjustments:		
Depreciation and amortisation expense	5,239	5,657
Effect of foreign exchange (gain)/loss, net	(323)	825
Interest income	(14)	-
Operating cash flows before working capital changes	10,953	9,343
<i>Changes in operating assets and liabilities</i>		
Trade receivables	205	(4,026)
Trade payables	(261)	(77,114)
Other assets and liabilities, net	1,090	(3,465)
Cash used in operations	11,987	(75,262)
Income taxes paid, net	(41)	312
Net cash used in operating activities	11,946	(74,950)
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(7,008)	(13)
Proceeds from sale of tangible and intangible assets	1,590	-
Interest received	14	-
Net cash used in investing activities	(5,404)	(13)
Cash flows from / (used in) financing activities		
Proceeds from / (repayment of) long term borrowings, net	-	(12,869)
Net cash from / (used in) financing activities	-	(12,869)
Net decrease in cash and cash equivalents	6,542	(87,831)
Cash and cash equivalents at the beginning of the year	8,275	97,284
Effect of foreign exchange gain/(loss) on cash and cash equivalents	355	(1,178)
Cash and cash equivalents at the end of the year	15,172	8,275
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	15,172	8,275
Other bank balances	-	-
Cash and bank balances at the end of the year	15,172	8,275

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: 9 May 2016

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 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.

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Deficit		
Balance at the beginning of the year	1,301	(1,561)
Add: Current year profit	<u>6,029</u>	<u>2,862</u>
Balance carried forward	<u>7,330</u>	<u>1,301</u>
	<u>7,330</u>	<u>1,301</u>

2.3 : Trade Payables

	As at 31 March 2016	As at 31 March 2015
Payables to others	<u>-</u>	<u>272</u>
	<u>-</u>	<u>272</u>

2.4 : Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Accrued expenses	4,924	3,296
Due to capital creditors	-	169
Others	<u>309</u>	<u>345</u>
	<u>5,233</u>	<u>3,810</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)

2.5 : Fixed assets

Description	Gross Block			Depreciation			Net Block		
	As at 01.04.2015	Additions	Deletions	As at 31.03.2016	As at 01.04.2015	For the year	Deletions	As at 31.03.2016	As at 31.03.2015
Electrical equipment	390	39		429	357	57		414	15
Laboratory equipment	29,220	6,693	10,531	25,382	23,501	4,416	8,941	18,976	6,406
Office equipment	5,988	106		6,094	4,783	766		5,549	545
TOTAL	35,598	6,838	10,531	31,905	28,641	5,239	8,941	24,939	6,966
Previous year	35,585	13	-	35,598	22,984	5,657	-	28,641	6,957

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 : Long term loans and advances

	As at	As at
	31 March 2016	31 March 2015
Unsecured		
<i>Considered good</i>		
Security deposits	984	979
Advance tax, net of provision for income taxes	73	54
	<u>1,057</u>	<u>1,033</u>

2.7 : Trade receivables

	As at	As at
	31 March 2016	31 March 2015
Unsecured		
Other debts		
Considered good	3,527	3,721
	<u>3,527</u>	<u>3,721</u>

2.8 : Cash and bank balances

	As at	As at
	31 March 2016	31 March 2015
Bank balances		
In current accounts	15,172	8,275
	<u>15,172</u>	<u>8,275</u>

2.9 : Short term loans and advances

	As at	As at
	31 March 2016	31 March 2015
Unsecured		
<i>Considered good</i>		
Balances with Statutory Agencies	859	-
Advances to material suppliers	147	430
Prepaid expenses	269	214
Other advances	170	357
	<u>1,445</u>	<u>1,001</u>

2.10 : Other income

	For the year ended	For the year ended
	31 March 2016	31 March 2015
Interest income	14	-
Foreign exchange gain, net	619	-
	<u>633</u>	<u>-</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)

2.11 : Employee benefits expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	14,212	14,289
Contribution to provident and other funds	1,478	1,543
Staff welfare expenses	309	599
	<u>15,999</u>	<u>16,432</u>

2.12 : Other expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Legal and professional	2,696	531
Selling expenses	10,334	-
Repairs and maintenance		
Plant and machinery	774	96
Others	105	173
Travelling and conveyance	1,416	1,429
Rent	1,321	2,230
Foreign exchange loss, net	-	381
Insurance	389	9
Other general expenses	8,238	2,048
	<u>25,273</u>	<u>6,898</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)

2.13 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016 (previous year: Nil).

2.14: Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
i. Sales and services to holding company and other group companies:		
Aurigene Discovery Technologies Limited	37,661	40,328

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

Particulars	As at 31 March 2016	As at 31 March 2015
i. Due from holding company and other group companies (included in trade receivables):		
Aurigene Discovery Technologies Limited	3,112	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

A Ramachandra Rao
Partner
Membership No. 9750

Ashish Lath
Director

CSN Murthy
Director

Place: Hyderabad
Date: 9 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

Aurigene Discovery Technologies Inc.**Balance Sheet**

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

	Note	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	257,460	257,460
Reserves and surplus	2.2	(255,942)	(254,921)
		<u>1,518</u>	<u>2,539</u>
Current liabilities			
Other current liabilities	2.3	2,271	2,417
		<u>2,271</u>	<u>2,417</u>
	TOTAL	<u>3,789</u>	<u>4,956</u>
ASSETS			
Current assets			
Trade receivables	2.4	-	3,269
Cash and bank balances	2.5	3,789	1,687
		<u>3,789</u>	<u>4,956</u>
	TOTAL	<u>3,789</u>	<u>4,956</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 2016

for and on behalf of the Board of Directors

G.V. Prasad

Director

Satish Reddy

Director

Aurigene Discovery Technologies Inc.
Statement of Profit and Loss

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

	Note	For the year ended 31 March 2016	For the year ended 31 March 2015
Income			
Service income		-	15,223
Revenue from operations		<u>-</u>	<u>15,223</u>
Other income	2.6	-	261
Total revenue		<u>-</u>	<u>15,484</u>
Expenses			
Salaries, wages and bonus		-	10,825
Other expenses	2.7	1,164	2,672
Total expenses		<u>1,164</u>	<u>13,497</u>
Profit / (Loss) before tax		(1,164)	1,987
Tax expense		-	-
Profit / (Loss) for the year		<u>(1,164)</u>	<u>1,987</u>
Earnings per share			
Basic - Par value USD 1 per share		(0.22)	0.39
Diluted - Par value USD 1 per share		(0.22)	0.39
Number of shares used in computing earnings per share			
Basic		5,215,000	5,120,753
Diluted		5,215,000	5,120,753

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 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
(Loss) / Profit before tax	(1,164)	1,987
Adjustments:		
Foreign exchange (gain) / loss, net	-	(266)
Interest income	-	(1)
Operating cash flows before working capital changes	(1,164)	1,720
<i>Changes in operating assets and liabilities</i>		
Trade receivables	3,424	1,149
Other assets and liabilities, net	(282)	(2,100)
Cash generated from / (used in) operations	1,978	769
Income taxes paid, net	-	-
Net cash from / (used in) operating activities	1,978	769
Cash flows from / (used in) investing activities		
Interest received	-	1
Net cash from investing activities	-	1
Cash flows from / (used in) financing activities		
Proceeds from issuance of share capital	-	6,279
Repayment of long term borrowings, net	-	(8,501)
Net cash from / (used in) financing activities	-	(2,222)
Net increase / (decrease) in cash and cash equivalents	1,978	(1,452)
Cash and cash equivalents at the beginning of the year	1,687	3,040
Effect of foreign exchange gain on cash and cash equivalents	124	99
Cash and cash equivalents at the end of the year	3,789	1,687
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	3,789	1,687
Other bank balances	-	-
Cash and bank balances at the end of the year	3,789	1,687

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 2016

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 2016	As at 31 March 2015
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 : 5,215,000) equity shares of USD 1 each	<u>257,460</u>	<u>257,460</u>
Subscribed and paid-up		
5,215,000 (previous year : 5,215,000) equity shares of USD 1 each	<u>257,460</u>	<u>257,460</u>
	<u>257,460</u>	<u>257,460</u>

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

Particulars	As at 31 March 2016		As at 31 March 2015	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	5,215,000	257,460	5,115,000	251,181
Shares issued during the year	-	-	100,000	6,279
Number of shares outstanding at the end of the year	5,215,000	257,460	5,215,000	257,460

(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 2016		As at 31 March 2015	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
Aurigene Discovery Technologies Limited	5,215,000	100	5,215,000	100

2.2 : Reserves and surplus

	As at 31 March 2016	As at 31 March 2015
Foreign currency translation reserve		
Balance at the beginning of the year	(5,422)	(5,101)
Movement during the year	<u>143</u>	<u>(321)</u>
	<u>(5,279)</u>	<u>(5,422)</u>
Deficit		
Balance at the beginning of the year	(249,499)	(251,486)
Add: Current year profit / (loss)	<u>(1,164)</u>	<u>1,987</u>
Balance carried forward	<u>(250,663)</u>	<u>(249,499)</u>
	<u>(255,942)</u>	<u>(254,921)</u>

Aurigene Discovery Technologies Inc.

Notes to Financial Statements

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

2.3 : Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Due to holding company and other group companies	2,271	2,021
Accrued expenses	-	396
	2,271	2,417
	2,271	2,417

2.4 : Trade receivables

	As at 31 March 2016	As at 31 March 2015
Unsecured		
Other debts		
Considered good	-	3,269
	-	3,269
	-	3,269

2.5 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Bank balances		
In current accounts	3,789	1,687
	3,789	1,687
	3,789	1,687

2.6 : Other income

	For the year ended 31 March 2016	For the year ended 31 March 2015
Foreign exchange gain, net	-	260
Interest income	-	1
	-	261
	-	261

2.7 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Legal and professional	177	445
Rates and taxes	193	512
Travelling and conveyance	1	935
Bank charges	2	13
Other general expenses	791	767
	1,164	2,672
	1,164	2,672

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)

2.8: Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016 (previous year: Nil).

2.9: Related party disclosures

a. The Company has following related party transactions:

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
i. Services from holding company or other companies within the group:		
Dr. Reddy's Laboratories Inc.	791	737
ii. Service income from holding company and other group companies:		
Aurigene Discovery Technologies Limited	-	15,223

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

Particulars	As at 31 March 2016	As at 31 March 2015
i. Due to holding company and other group companies (included in other current liabilities):		
Dr. Reddy's Laboratories Inc.	2,271	2,021
ii. Due from holding company and other group companies (included in trade receivables):		
Aurigene Discovery Technologies Limited	-	3,269

2.10: Comparative figures

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

2.11: 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: 9 May 2016

Aurigene Discovery Technologies Limited

Board's Report

Dear Members,

Your Directors present the 15th Board's Report of the Company for the year ended 31 March 2016.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2015-16 as compared to previous financial year:

	(Rs. in million)	
Particulars	31 March 2016	31 March 2015
Income	1,901	1,477
Profit before interest, depreciation, amortization and tax	488	236
Depreciation and amortization	102	104
Interest on Income Tax	10	18
Profit before tax	376	115
Tax expense	(136)	(47)
Profit after tax	241	67
Add: Balance brought forward	4	127
Total Available for Appropriation	245	194
Appropriations:		
Proposed dividend on equity shares	(181)	(159)
Tax on proposed dividend	(37)	(32)
Balance carried forward to Balance Sheet	26	4

State of Company's Affairs

The Company's net revenue for the year was Rs.1,901 million, up 29% over the previous year. Earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 107% to Rs.488 million. Profit before taxes (PBT) was Rs.376 million, an increase of 227% over the previous year.

Dividend

Your Directors are pleased to recommend a dividend of Rs.2/- on every equity share of Rs. 10/- each (20%) for FY2016. The dividend, if approved at the 15th Annual General Meeting (AGM) will be paid to those shareholders or beneficial owners whose names appear on the Register of Members of the Company as on 11 July 2016.

Transfer to reserves

No amount is proposed to be transferred to any reserves during the year under the review.

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. Hence the relevant disclosure or reporting provisions are not applicable to the Company.

Material Changes and Commitments Affecting the Financial Position of the Company

No material change and commitment affecting the financial position of the Company, has 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 has two wholly owned subsidiaries as on 31 March 2016 - Aurigene Discovery Technologies (Malaysia) SDN BHD., Malaysia and Aurigene Discovery Technologies Inc., USA. None of the company have become or ceased to be subsidiary, joint ventures or associate 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 14 October 2014 and 16 January 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 1 April 2014.

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

A statement containing the salient features of the financial statement of its subsidiaries in prescribed Form AOC-2 is attached as “**Annexure – I**” to the Board’s Report.

Particulars of Loans, Guarantees or Investments

During the year, the Company has not:

- given any loan to any person or other body corporate
- given any guarantee or provided security in connection with a loan to any other body corporate or person;
- acquired by way of subscription, purchase or otherwise, the securities of any other body corporate.

Details of loans, guarantees and investments covered under Section 186 of the Companies Act, 2013 form part of the notes to the financial statements provided in this Annual Report.

Number of Board meetings

The Board of Directors met four times during the financial year under review on: 9 May 2015, 7 August 2015, 28 October 2015 and 10 February 2016.

Board of Directors and Key Managerial Personnel

Pursuant to provisions of Section 152 of the Companies Act, 2013, Mr. Julius John Sheldon Knowles (DIN: 05261277), retires by rotation at the ensuing AGM and being eligible, seeks re-appointment. Your Directors recommend his re-appointment for approval at the ensuing AGM.

Ms. Arwa Rangwala resigned as Company Secretary of the Company with effect from 6 January 2016.

Declaration given by the Independent Director

In accordance with Section 149(7) of the Companies Act, 2013, Mr. Hariharnath Buggana and Dr. Bruce L.A. Carter, Independent Directors have confirmed that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013.

Appointment of Directors and Remuneration Policy

The Nomination and Remuneration Committee of the Board assess candidates for the Board on a combination of parameters. These includes experience, personal and professional stature, domain expertise, specific qualification for the position and his/her independence as defined in Section 149(6) of the Companies Act, 2013. The Committee then places the details of shortlisted candidates to the Board for consideration. If the Board approves, the person gets appointed as an Additional Director, subject to the approval of members in the Company's general meeting.

In accordance with Section 178(3) of the Companies Act, 2013, the policy for remuneration to Directors, Key Management Personnel (KMPs), Senior Management and other employees is attached as "**Annexure - II**"

Board Evaluation

The evaluation of the performance of the Board, its Committees and individual directors was undertaken during the year, on the basis of parameters determined by the Nomination and Remuneration Committee.

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 2015-16 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.

Audit Committee

The Audit Committee comprises of Mr. Hariharnath Buggana (Independent Director) as Chairman of the Committee, Dr. Bruce L.A. Carter (Independent Director) and Mr. Saumen Chakraborty. The Board has accepted all recommendations made by the Audit Committee during the year.

Corporate Social Responsibility

The Company's Corporate Social Responsibility (CSR) Committee constituted in terms of Section 135 of the Companies Act, 2013, comprises of Mr. Hariharnath Buggana (Independent Director) as Chairman, Mr. G V Prasad and Mr. Saumen Chakraborty.

The Company's CSR policy indicates the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013.

During the year, in pursuing its social initiatives, the Company followed the guidelines as per the CSR policy.

Details about the CSR policy is also available on Company's website, <http://www.aurigene.com/about-aurigene-biotech/csr-policy-drug-discovery-process/>. The Annual Report on CSR activities of the Company is attached as “**Annexure III**” 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 the Company's Board meeting.

Adequacy of Internal Financial Controls with Reference to Financial Statements

The Company has adequate internal financial controls with reference to financial statements and were operating effectively. These controls ensure the accuracy and completeness of the accounting records and preparation of reliable financial statements.

Related Party Transactions

In accordance with Section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014, the particulars of contract or arrangement entered into by the Company with related parties referred to in Section 188(1) in Form AOC-2 is attached as “**Annexure IV**”.

The details of related party disclosures form part of the notes to the financial statements provided in this Annual Report.

Secretarial Audit Report

Pursuant to Section 204 of the Companies Act, 2013 and the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, M/s. R & A Associates, Company Secretaries, Hyderabad, were appointed to conduct the Secretarial Audit of the Company for FY2016. The Secretarial Audit Report for FY2016 is attached as “**Annexure V**” to this Report.

Statutory Auditors

The existing Statutory Auditors M/s. B S R & Co. LLP., Chartered Accountants, Bangalore will be completing their term and they hold office up to conclusion of 15th AGM.

As per second proviso to Section 139(2) of the Companies Act, 2013 (the Act), a transition period of three years from the commencement of the Act is provided to appoint a new Auditor if the existing auditors' firm has completed two terms of five consecutive years each.

Accordingly, the Audit Committee and the Board of Directors recommended the appointment of M/s. S R Batliboi & Associates LLP, Chartered Accountants (Firm Registration No. 101049W/E300004) as Statutory Auditors of the Company, in place of retiring auditors M/s. B S R & Co. LLP, Chartered Accountants (Firm Registration No. 101248W/W-100022), to hold office from the conclusion of the 15th AGM until the conclusion of the 20th AGM for shareholders' approval.

Board's response on auditor's qualification, reservation or adverse remark or disclaimer made

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

During the year, there were no instances of frauds reported by auditors under section 143(12) of the Companies Act, 2013.

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

Statement of employees of the Company drawing remuneration 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 VI**" of this Report.

Conservation of energy, Technology Absorption

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 is given as under:

(A) Conservation of energy-

(i) The steps taken or impact on conservation of energy:

The major energy conservation initiatives taken by the Company during the year are:

- a) Replacement of forward curve blowers with backward curve blowers (efficient blowers) in HVAC system;
- b) Replacement of Fluorescent Tube (FT) with LED in lab area including fume hoods;
- c) Installation of motion sensors for lights; and
- d) Installation of timers to the Air Handling Unit (AHU), etc.

(ii) The steps taken by the company for utilising alternate sources of energy:

The Company is exploring options for alternate sources of energy like wind and solar energy.

(iii) The capital investment on energy conservation equipment's: Rs. 9.6 Lakhs.

(B) Technology Absorption, Adoption and Innovation-

No technology was imported by the Company.

Foreign exchange earnings and outgo

The details of foreign exchange earnings and expenditure are mentioned in Note no. 22 (d) and 22 (e) of the Notes of Accounts in financial statements for the financial year ended 31 March 2016.

Extract of the Annual Return

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

Disclosure on Sexual Harassment of Women at Workplace

The Company has an Internal Complaints Committee for providing a redressal mechanism of complaints pertaining to Sexual Harassment of Women at Workplace. There was no case of sexual harassment reported during the year under the review.

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

Date: 03.05.2016

Place: Hyderabad

G V Prasad
Director

Satish Reddy
Director

Form AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

Part "A": Subsidiaries

Sl. No.	Particulars	Details	Details
1.	Name of the subsidiary	Aurigene Discovery Technologies (Malaysia) SDN BHD	Aurigene Discovery Technologies Inc., USA
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	NA	NA
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	Malaysian Ringgits (MYR)	United States Dollar (USD)
4.	Share capital	Rs.1,56,03,635	Rs.25,74,60,484
5.	Reserves & surplus	Rs.72,07,034	(Rs.25,59,42,987)
6.	Total assets	Rs.2,79,17,239	Rs.37,88,445
7.	Total Liabilities	Rs.51,41,944	Rs.22,70,948
8.	Investments		
9.	Turnover	Rs.9,67,99,917	0
10.	Profit before taxation	Rs.60,48,789	(Rs.11,64,218)
11.	Provision for taxation	Rs.12,337	0
12.	Profit after taxation	Rs.60,36,452	(Rs.11,64,218)
13.	Proposed Dividend	0	0
14.	% of shareholding	100%	100%

There was no subsidiary which is yet to commence the operations. Further, none of the subsidiary have been liquidated or sold during the year.

Part "B": Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures : NA

Name of associates/Joint Ventures	NA
1. Latest audited Balance Sheet Date	
2. Shares of Associate/Joint Ventures held by the company on the year end	
No.	
Amount of Investment in Associates/Joint Venture	
Extend of Holding%	
3. Description of how there is significant influence	

4. Reason why the associate/joint venture is not consolidated	
5. Net worth attributable to shareholding as per latest audited Balance Sheet	
6. Profit/Loss for the year	
i. Considered in Consolidation	
ii. Not Considered in Consolidation	

For and on behalf of the Board of Directors

Date: 03.05.2016

Place: Hyderabad

G V Prasad

Director

Satish Reddy

Director



ANNEXURE - II

REMUNERATION POLICY

I. CONTEXT

The purpose of this Policy is to guide the Board in regard to:

- a) Evaluate the performance of the members of the Board;
- b) The remuneration of the Board, Key Managerial Personnel and other employees to reflect short and long term performance objectives; and
- c) Overall compensation approach to retain and attract talent.

II. DEFINITIONS

“Board” means Board of Directors of the Company.

“Committee” means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board, from time to time.

“Company” means Aurigene Discovery Technologies Limited.

“Director” means Directors of the Company.

“Employee” means any person, including officers who are in the permanent employment of the Company.

“Independent Director” shall mean a director referred to in Section 149 (6) of the Companies Act, 2013.

“Key Managerial Personnel” is as defined under the Companies Act, 2013 and means

- a) the Chief Executive Officer or the Managing Director or the Manager [having ultimate controls over affairs of the company];
- b) the Company Secretary;
- c) the Whole-Time Director;
- d) the Chief Financial Officer; and
- e) such other officer as may be prescribed under the applicable statutory provisions/regulations from time to time.

“Senior Management” means personnel of the Company who are members of its core management team excluding Board of Directors. This would include all members of management one level below the executive directors, including all the functional heads.

III. APPLICABILITY

This policy is applicable to the following:

- Directors (Non-Executive and Independent)
- Key Managerial Personnel (KMPs)
- Senior Management Personnel
- Other Employees

IV. EVALUATION OF DIRECTORS

The Committee shall carry out performance evaluation of every Director annually, on such parameters as it may deem fit.

V. REMUNERATION OF DIRECTORS, KMPs AND OTHER EMPLOYEES

The Committee shall recommend to the Board for their approval, any remuneration to be paid the Directors. The Committee will separately review and approve the remuneration to be paid to KMPs.

The key principles for each of the positions are outlined below:

Directors -The Directors shall receive remuneration by way of sitting fees and reimbursement of expenses for attending meetings of Board or Committee thereof. In addition, the Directors shall be eligible to receive profit related commission, as may be approved by the shareholders of the Company. Independent Directors shall not be entitled to any stock options.

KMPs/Senior Management Personnel/Other Employees – The Remuneration to be paid to KMPs/Senior Management Personnel/Other Employees shall be based on the experience, qualification and expertise of the talent. The compensation will be the balance of fixed pay, variable pay and/or Performance Based Incentive Plans.

The Company may periodically review the compensation and benefits at all levels to ensure that the company remains competitive and is able to attract and retain desirable talent. The Committee may review the overall compensation approach for employees and suggest changes, if required.

VI. CONFIDENTIALITY

The members of the Nomination and Remuneration Committee may not disclose, in particular, the information contained in the confidential reports they receive or the contents of confidential discussions.

They shall also ensure that any employees appointed to support them likewise comply with this rule.

VII. REVIEW

This policy will be reviewed at appropriate time, as decided by the Committee. The utility and interpretation of this policy will be at the sole discretion of the Committee.

ANNEXURE III

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 CSR Policy as approved by the Board of Directors of the Company can be viewed at <http://www.aurigene.com/about-aurigene-biotech/csr-policy-drug-discovery-process/>

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. The Committee comprises 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.2,682 Lakhs

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

Rs.54 Lakhs

5. Details of CSR spent during the financial year.

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

Rs.35.56 Lakhs

(b) Amount unspent, if any;

Rs.18.44 Lakhs

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

(Amount in Lakhs)

(1)	(2)	(3)	(4)	(5)	(6)		(7)	(8)
					(1) Direct expenditure on projects	(2) Overheads		
Sl. No	CSR project or activity Identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State & districts where projects or programs was undertaken	Amount outlay (budget) project or program wise	Amount spent on the projects or programs		Cumulative expenditure upto the reporting period	Amount spent: Direct or through implementing agency
1	Providing quality education to poor and meritorious students	Improving the quality of education	Local Area Karnataka-Bangalore	4.40	4.48	-	4.48	Direct- Sri Ananth Nagar Vidhyankethan School
2	Development of a Laboratory and Library for school	Improving the quality of education	Local Area Karnataka-Bangalore	20	17	-	17	Direct- Sri Ananth Nagar Vidhyankethan School
3	Supporting diagnosis and treatment of cancer	Promoting preventive healthcare	Local Area Karnataka-Bangalore	14	14.08	-	14.08	Implementation Agency- Shankara care hospital
	Total			38.40	35.56	-	35.56	

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.

During the financial year 2015-16, the Company was engaged in gestating new projects in line with CSR policy. Also, partnership building with social institutions and identification of projects took longer than expected.

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 CSR Committee

FORM NO. AOC – 2

(Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis:

(a)	Name(s) of the related party and nature of relationship	Not Applicable
(b)	Nature of contracts/arrangements/transactions	
(c)	Duration of the contracts/arrangements/ transactions	
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
(e)	Justification for entering into such contracts or arrangements or transactions	
(f)	Date(s) of approval by the Board	
(g)	Amount paid as advances, if any	
(h)	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	

2. Details of material contracts or arrangement or transactions at arm's length basis:

(a)	Names(s) of the related party and nature of relationship	Dr. Reddy's Laboratories Limited – Holding Company
(b)	Nature of contracts/arrangements/ transactions	Sale and purchase of products/goods/services, lease rents and expenses.
(c)	Duration of the contracts/arrangements transactions	Ongoing.
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Refer Note 22 (l) of the Notes to Financial Statements.
(e)	Date(s) of approval by the Board, if any	May 9, 2015
(f)	Amount paid as advances, if any	-

For and on behalf of the Board of Directors

G V Prasad
Director

Satish Reddy
Director

Ashish Lath
Chief Financial Officer

Vandana Bhatia
Company Secretary

SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2016
**[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the
Companies (Appointment and Remuneration Personnel) Rules, 2014]**

To
The Members
AURIGENE DISCOVERY TECHNOLOGIES LIMITED
39/49(P), Kiadb Industrial Area, Electronics City, Phase II
Bangalore – 560100 Karnataka, India.

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 March 31, 2016 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 Company for the financial year ended on March 31, 2016 according to the provisions of:

The Companies Act, 2013 (the Act) and the rules made there under;

- i. The Securities Contracts (Regulation) Act, 1956 (‘SCRA’) and the rules made there under(**Not applicable to the Company during the Audit Period**);
- ii. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under (**Not applicable to the Company during the Audit Period**);

- iii. Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- iv. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011(**Not applicable to the Company during the Audit Period**);
 - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992(**Not applicable to the Company during the Audit Period**);
 - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (**Not applicable to the Company during the Audit Period**);
 - d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (**Not applicable to the Company during the Audit Period**);
 - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (**Not applicable to the Company during the Audit Period**);
 - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client (**Not applicable to the Company during the Audit Period**);
 - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (**Not applicable to the Company during the Audit Period**); and
 - h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (**Not applicable to the Company during the Audit Period**).
- v. We further report that the Company is engaged into research and development activity, drug discovery, development activities and licensing arrangements, as such there are no specific industry laws which are applicable to the Company.

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

- i. Secretarial Standards issued by The Institute of Company Secretaries of India;
- ii. The Listing Agreements entered into by the Company with Stock Exchanges (**Not applicable to the Company during the Audit Period**).

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 the Directors to schedule the Board Meetings, agenda and detailed notes on agenda were 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 and Committee of the Board, as the case may be.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

For R & A Associates

(G. Raghu Babu)

Partner

FCS No: 4448, CP No. 2820

Date: 25th April, 2016

Place: Hyderabad

[This report is to be read with our letter of even date, which is annexed as "Annexure – A" and forms an integral part of this report.]

“Annexure – A”

To

The Members,

AURIGENE DISCOVERY TECHNOLOGIES LIMITED,

39/49(P), Kiadb Industrial Area, Electronics City, Phase II

Bangalore – 560100 Karnataka, India.

Our report of even date is to be read along with this letter:

1. Maintenance of secretarial records is the responsibility of the management of M/s. Aurigene Discovery Technologies Limited (“the Company”). Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

For R & A Associates

(G. Raghu Babu)

Partner

FCS No: 4448, CP No. 2820

Date: 25th April, 2016

Place: Hyderabad

Statement of Particulars of Remuneration of Employees (Employed for full year) in receipt of Remuneration in Excess of 60 lakhs during FY2016

(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	Percentage of Equity Shares held	Whether employee is relative of any director or manager	Gross Remuneration (in Rs. 000's)	Qualification	Experience in Years	Date of Commencement of Employment	Particulars of Last Employment
1	CSN Murthy	49	CEO	0	No	30,581	B Tech, MBA	26	1st April 2005	Dr. Reddy's Laboratories Limited
2	Dr. Murali Ramachandra	55	Sr. Vice President - Pre Clinical Biology	0	No	21,526	Ph. D	27	14th February 2005	Schering Plough Corporation, USA
3	Chetan Pandit	55	Vice President - Medicinal Chemistry	0	No	11,370	Ph. D	23	2nd April 2007	Naeja Pharmaceuticals
4	Susanta Samajdar	45	Research Director - Medicinal Chemistry	0	No	8,787	Ph. D	16	5th March 2012	Jubilant Biosys
5	Ashish Lath	38	Director - Finance	0	No	8,848	B Com, ACA	16	29th October 2012	Mahindra Reva Electric Vehicles
6	Rajshree K T	42	Director-Strategic Alliances	0	No	9,945	MBA	12	8th October 2012	UBS Service (INDIA) Private Limited.

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.
- 4) Includes long term incentives.

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN

As on the financial year ended on 31 March, 2016

[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: ashish_1@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.

Grand Total (A+B+C)	0	90,544,104	90,544,104(*)	100	0	90,544,104	90,544,104 (*)	100	0
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(*) 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	90,544,104	100	90,544,104	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):	No change during the year			
At the End of the year	90,544,104	100	90,544,104	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)	01.04.2015	1	0	0	0	0	0
		31.03.2016	1	0	0	0	0	0
2	Mr. G V Prasad (Director)	01.04.2015	1	0	0	0	0	0
		31.03.2016	1	0	0	0	0	0
3	Mr. Saumen Chakraborty (Director)	01.04.2015	1	0	0	0	0	0
		31.03.2016	1	0	0	0	0	0
4	Mr. Hariharnath Buggana (Independent Director)	01.04.2015	0	0	0	0	0	0
		31.03.2016	0	0	0	0	0	0
5	Dr. Bruce L A Carter (Independent Director)	01.04.2015	0	0	0	0	0	0
		31.03.2016	0	0	0	0	0	0
B. KEY MANAGEMENT PERSONNEL (KMPs)								
6	Mr. CSN Murthy (Chief Executive Officer)	01.04.2015	10	0	0	0	0	0
		31.03.2016	10	0	0	0	0	0
7	Mr. Ashish Lath (Chief Financial Officer)	01.04.2015	1	0	0	0	0	0
		31.03.2016	1	0	0	0	0	0
8	Ms. Arwa Rangwala**	01.04.2015	0	0	0	0	0	0

(Company Secretary)	31.03.2016	0	0	0	0	0	0
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* Held as nominee shareholders on behalf of Dr. Reddy's Laboratories Limited, Holding Company.

** Resigned w.e.f. January 6, 2016

V. 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, 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
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, 2016)				
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

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A) Remuneration of Managing Director, Whole-time Director and/or Manager: NIL

B) Remuneration of other directors –

Sl. No.	Particulars of Remuneration	Hariharnath Bugganna	Bruce L A Carter	Julius John Sheldon Knowles	Total Amount
	Independent Directors · Fee for attending board committee meetings · Commission · Others, please specify	- 1,000,000* -	- 1,000,000 -	- - -	- 2,000,000 -
	Total (1)	1,000,000	1,000,000	-	1,000,000
	Other Non-Executive Directors · Fee for attending board committee meetings · Commission · Others, please specify	- - -	- - -	- 1,000,000 -	- 1,000,000 -
	Total (2)	-	-	1,000,000	1,000,000
	Total (B)=(1+2)	1,000,000	1,000,000	1,000,000	3,000,000
	Total Managerial Remuneration	1,000,000	1,000,000	1,000,000	3,000,000
	Overall Ceiling as per the Act	Rs.37.64 Lakhs			

(*) Mr. Hariharnath Bugganna provided for subsequently, declined to accept this commission.

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	
		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	30,029,296	8,632,452	0	38,661,748
	(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	5,52,004	2,16,004	0	7,68,008
	Total	30,581,300	8,848,456	0	39,429,756

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

(*) Resigned w.e.f. January 6, 2016

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 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the 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.

An audit involves performing procedures to obtain audit evidence about the amounts and the 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 controls 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. 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.

Aurigene Discovery Technologies Limited

Independent Auditor's Report – 31 March 2016 (continued)

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 2016, 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 (Auditor's Report) Order, 2016 ('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", 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 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 it appears from our examination of those books;
 - c) The Balance Sheet, the 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;
 - e) On the basis of the written representations received from the directors as on 31 March 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016, from being appointed as a director in terms of Section 164 (2) of the Act;
 - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

Aurigene Discovery Technologies Limited

Independent Auditor's Report – 31 March 2016 (continued)

- g) 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) and 22(a) (iv) 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

Rohit Alexander

Partner

Membership number: 222515

Place : Bangalore

Date :

Aurigene Discovery Technologies Limited

Annexure - A 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 2016. 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 accordance with this programme, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.
- (c) According to the information and explanation given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company.
- (ii) The inventory of consumables has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. No material discrepancies were noticed on such verification during the year.
- (iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnership or other parties covered in the register maintained under Section 189 of the Companies Act, 2013 ('the Act'). Accordingly, paragraph 3(iii) (a), (b) and (c) of the Order are not applicable.
- (iv) The Company did not provide any loan, investments, guarantees or securities in connection with loan to its directors and other entities in which its directors are interested. Accordingly, paragraph 3(iv) of the Order is not applicable.
- (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, Service-tax, Customs duty, Value added tax and other 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 Sales-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- A 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, Service-tax, Customs duty, Value added tax and other statutory dues were outstanding as at 31 March 2016 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues in respect of Income tax, Custom duty, Value added tax and Excise duty which have not been deposited with the appropriate authorities on account of any dispute, except the following dues of Service tax which 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
Service Tax	Service tax	5,794,534 (Amount paid under protest Rs 434,590)	2003-04	CESTAT, Bangalore

- (viii) The Company did not have any outstanding dues to any financial institutions, banks, Government or debenture holders during the year.
- (ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3(ix) of the Order is not applicable.
- (x) According to the information and explanations given to us, no fraud by the Company or on the Company by its officer or employees has been noticed or reported during the year.
- (xi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V of the Companies Act.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

Aurigene Discovery Technologies Limited

Annexure- A to the Independent Auditors' Report (continued)

- (xiv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- (xv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

for **BSR & Co. LLP**
Chartered Accountants
Firm registration number: 101248W/W-100022

Rohit Alexander
Partner
Membership number: 222515

Place : Bangalore
Date :

Annexure – B to the Independent Auditor’s Report (Continued)

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of Aurigene Discovery Technologies Limited (“the Company”) as of 31 March 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

Annexure – B to the Independent Auditor’s Report (Continued)

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

for B S R & Co. LLP

Chartered Accountants

Firm’s registration number: 101248W/W-100022

Rohit Alexander

Partner

Membership number: 222515

Bangalore

3 May 2016

Aurigene Discovery Technologies Limited
Balance sheet as at 31 March 2016

(Rs in lakhs)

	Notes	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	9,054	9,054
Reserves and surplus	3	2,365	2,138
		11,419	11,192
Non-current liabilities			
Other Long-term liabilities	4	14,919	19,262
Long-term provisions	5	678	333
		15,597	19,595
Current liabilities			
Trade payables	6	641	491
Other current liabilities	7	3,563	3,778
Short-term provisions	8	4,784	3,944
		8,988	8,213
TOTAL		36,004	39,000
ASSETS			
Non-current assets			
Fixed assets	9		
- Tangible assets		5,886	6,029
- Capital work-in-progress		-	1
		5,886	6,030
Non-current investments	10	14,673	14,736
Deferred tax assets (net)	22(i)	543	200
Long-term loans and advances	11	61	53
		15,277	14,989
Current assets			
Inventories	12	66	54
Trade receivables	13	1,936	1,558
Cash and bank balances	14	11,767	15,814
Short-term loans and advances	15	629	427
Other current assets	16	443	128
		14,841	17,981
TOTAL		36,004	39,000
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

Rohit Alexander
Partner
Membership No.: 222515

Place: Bangalore
Date: 3 May 2016

G.V. Prasad
Director

Place: Hyderabad
Date : 3 May 2016

Satish Reddy
Director

Place: Hyderabad
Date : 3 May 2016

Ashish Lath
Chief Financial Officer

Place: Bangalore
Date: 3 May 2016

Vandana Bhatia
Company secretary

Place: Hyderabad
Date : 3 May 2016

Aurigene Discovery Technologies Limited
Statement of Profit and Loss for the year ended 31 March 2016

(Rs in lakhs)

	Notes	For the year ended 31 March 2016	For the year ended 31 March 2015
Revenue			
Revenue from operations	17	17,812	13,172
Other income	18	1,198	1,594
		19,010	14,766
Expenses			
Employee benefits	19	6,064	5,649
Finance cost	20	98	179
Depreciation and amortization	9	1,019	1,035
Other expenses	21	8,065	6,755
		15,246	13,618
Profit before tax		3,764	1,148
Tax expense:			
- current tax		(1,579)	(539)
- current tax for earlier years		(121)	105
- deferred tax credit/ (charge) for earlier years		121	(117)
- deferred tax credit		222	77
Profit for the year		2,407	674
Earnings per share (equity shares, par value of Rs 10 each)			
- Basic (Par value, Rs 10 each)	22(j)	2.66	0.74
- Diluted (Par value, Rs 10 each)	22(j)	2.66	0.74
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

Rohit Alexander
Partner
Membership No.: 222515

Place: Bangalore
Date: 3 May 2016

G.V. Prasad
Director

Place: Hyderabad
Date : 3 May 2016

Satish Reddy
Director

Place: Hyderabad
Date : 3 May 2016

Ashish Lath
Chief Financial Officer

Place: Bangalore
Date: 3 May 2016

Vandana Bhatia
Company secretary

Place: Hyderabad
Date : 3 May 2016

Aurigene Discovery Technologies Limited
Cash flow statement for the year ended 31 March 2016

(Rs in lakhs)

	For the year ended 31 March 2016	For the year ended 31 March 2015
Cash flows from operating activities		
Profit before tax	3,764	1,148
Adjustments for non-cash and non-operating items:		
Depreciation and amortization	1,019	1,035
Finance cost	98	179
Unrealised foreign exchange loss/ (gain)	16	(5)
Profit on sale of assets	(1)	(8)
Interest income on fixed deposit	(1,040)	(1,463)
Interest income on income tax refund	(21)	-
Provision for inventory	4	1
Provision for diminution in value of investment	63	-
Operating cash flows before working capital changes	<u>3,902</u>	<u>887</u>
Adjustments for working capital changes:		
Changes in liabilities and provisions	(4,195)	(567)
Changes in loans and advances	(205)	(72)
Changes in inventories	(16)	(2)
Changes in trade receivables	(391)	504
Changes in unbilled revenue	(8)	12
Operating cash flows after working capital changes	<u>(913)</u>	<u>761</u>
Income-tax paid	(1,298)	(851)
Net cash used in operating activities	<u>a</u> (2,211)	<u>(90)</u>
Cash flows from investing activities		
Purchase of fixed assets	(683)	(885)
Proceeds from sale of fixed assets	2	22
Interest received	754	1,464
Advances refunded by subsidiaries	-	399
Advances given to subsidiaries	-	(186)
Equity investment in subsidiary	-	(63)
Proceeds from maturity of fixed deposits	4,040	(989)
Net cash generated by/(used in) investing activities	<u>b</u> 4,113	<u>(238)</u>
Cash flows from financing activities		
Dividend paid	(1,585)	(788)
Tax on dividend	(323)	(134)
Net cash used in financing activities	<u>c</u> (1,908)	<u>(922)</u>
Net decrease in cash and cash equivalents	<u>a+b+c</u> (6)	<u>(1,251)</u>
Cash and cash equivalents at the beginning of the year	1,459	2,709
Effect of exchange gain on cash and cash equivalents	(1)	1
Cash and cash equivalents at the end of the year (Refer note 3 below)	<u>1,452</u>	<u>1,459</u>

Aurigene Discovery Technologies Limited
Cash flow statement for the year ended 31 March 2016 (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 2016	As at 31 March 2015
Cash on hand	1	1
Balance with banks		
on current account	331	378
on deposit account (with original maturity of 3 months or less)	1,120	1,080
	<u>1,452</u>	<u>1,459</u>

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

Rohit Alexander
Partner
Membership No.: 222515

Place: Bangalore
Date: 3 May 2016

G.V. Prasad
Director

Place: Hyderabad
Date : 3 May 2016

Satish Reddy
Director

Place: Hyderabad
Date : 3 May 2016

Ashish Lath
Chief Financial Officer

Place: Bangalore
Date: 3 May 2016

Vandana Bhatia
Company secretary

Place: Hyderabad
Date : 3 May 2016

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended 31 March 2016 (continued)

2. Share capital

	(Rs in lakhs)	
	As at 31 March 2016	As at 31 March 2015
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 90,544,089 (Previous year : 90,544,089) 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 : 15) equity shares are held by the nominees of DRL.

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

Equity shares	31 March 2016		31 March 2015	
	Number of shares	Amount	Number of shares	Amount
At the commencement of the year	90,544,104	9,054	90,544,104	9,054
Number of shares issued during the year	-	-	-	-
At the end of the year	<u>90,544,104</u>	<u>9,054</u>	<u>90,544,104</u>	<u>9,054</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 2016		31 March 2015	
	No of shares	% holding	No of shares	% holding
Dr. Reddy's Laboratories Limited (Holding company)	90,544,089	99.99%	90,544,089	99.99%

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 2016	As at 31 March 2015	As at 31 March 2014	As at 31 March 2013	As at 31 March 2012
Nil (Previous year : Nil) 8 % cumulative redeemable preference shares of Rs. 10 each, fully paid up	-	-	-	14,750,000	14,750,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,750,000</u>	<u>14,750,000</u>

e. During the five-year period ended on 31 March 2016, no shares have been bought back.

Aurigene Discovery Technologies Limited**Notes to the financial statements for the year ended 31 March 2016 (continued)****3. Reserves and surplus****(Rs in lakhs)**

	As at 31 March 2016	As at 31 March 2015
Capital Reserves		
At the commencement of the year	18	18
Add: Additions during the year	-	-
Closing balance	<u>18</u>	<u>18</u>
Securities Premium Account		
At the commencement of the year	288	288
Add: Additions during the year	-	-
Closing balance	<u>288</u>	<u>288</u>
Capital Redemption Reserve		
At the commencement of the year	1,475	1,475
Closing balance	<u>1,475</u>	<u>1,475</u>
General Reserve		
At the commencement and end of the year	321	321
Closing balance	<u>321</u>	<u>321</u>
Surplus in the Statement of Profit and Loss		
At the commencement of the year	36	1,270
Add: profit for the year	2,407	674
Less: Appropriations		
Proposed dividend	(1,811)	(1,585)
Tax on dividend	(369)	(323)
Net surplus in the Statement of Profit and Loss	<u>263</u>	<u>36</u>
	<u>2,365</u>	<u>2,138</u>

4. Other long-term liabilities**(Rs in lakhs)**

	As at 31 March 2016	As at 31 March 2015
Deferred revenue	14,919	19,262
	<u>14,919</u>	<u>19,262</u>

5. Long-term provisions**(Rs in lakhs)**

	As at 31 March 2016	As at 31 March 2015
Provision for employee benefits*		
- Long term incentives	575	254
- Gratuity	54	79
- Compensated absences	49	-
	<u>678</u>	<u>333</u>

* Refer note 22(g)

Aurigene Discovery Technologies Limited**Notes to the financial statements for the year ended 31 March 2016 (continued)**

6. Trade payables	(Rs in lakhs)	
	As at 31 March 2016	As at 31 March 2015
Trade payables		
- Dues to micro and small enterprises*	-	-
- Other creditors	641	491
	641	491

* Refer note 22(m)

7. Other current liabilities	(Rs in lakhs)	
	As at 31 March 2016	As at 31 March 2015
Deferred revenue	2,738	3,159
Creditors for capital goods	328	130
Accrued salaries and benefits	405	406
Other payables - statutory liabilities	92	83
	3,563	3,778

8. Short-term provisions	(Rs in lakhs)	
	As at 31 March 2016	As at 31 March 2015
Provision for employee benefits*		
- Long term incentives	540	464
- Compensated absences	11	19
Provision for taxation, net of advance tax Rs 5,036 lakh (Previous year Rs 3,287 lakhs)	2,053	1,553
Other Provisions		
- Provision for dividend on equity shares	1,811	1,585
- Provision for tax on dividend	369	323
	4,784	3,944

* Refer note 22(g)

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended 31 March 2016 (continued)

9. Fixed assets

Following are the changes in the carrying value of fixed asset for the year ended 31 March 2016:

(Rs in lakhs)

Description	Gross block				Accumulated depreciation			Net block		
	As at 1 April 2015	Additions/ adjustments	Deletions/ Transfers	As at 31 March 2016	As at 1 April 2015	Depreciation/ amortisation for the year	Deletions	As at 31 March 2016	As at 31 March 2016	As at 31 March 2015
Tangible, owned										
Land	530	-	-	530	-	-	-	-	530	530
Buildings	3,470	-	-	3,470	1,011	115	-	1,126	2,344	2,459
Laboratory equipment	7,872	759	17	8,614	5,574	650	16	6,208	2,406	2,298
Electrical equipment	1,625	30	-	1,655	1,270	92	-	1,362	293	355
Plant and machinery - others	221	-	-	221	163	24	-	187	34	58
Computers	805	51	-	856	679	75	-	754	102	126
Furniture and fixtures	722	31	2	751	609	34	2	641	110	113
Vehicles	85	-	-	85	55	9	-	64	21	30
Office equipment	263	6	-	269	203	20	-	223	46	60
Total A	15,593	877	19	16,451	9,564	1,019	18	10,565	5,886	6,029
Capital work-in-progress	1	-	1	-	-	-	-	-	-	1
Total B	1	-	1	-	-	-	-	-	-	1
Total C (A + B)	15,594	877	20	16,451	9,564	1,019	18	10,565	5,886	6,030

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	7,872	4,977	663	66	5,574	2,298	2,255
Electrical equipment	1,618	52	45	1,625	1,215	93	38	1,270	355	403
Plant and machinery - others	222	-	1	221	140	24	1	163	58	82
Computers	737	78	10	805	612	75	8	679	126	125
Furniture and fixtures	701	52	31	722	604	34	29	609	113	97
Vehicles	104	20	39	85	80	11	36	55	30	24
Office equipment	250	13	-	263	184	19	-	203	60	66
Total A	14,864	921	192	15,593	8,708	1,034	178	9,564	6,029	6,156
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	15,594	8,848	1,034	318	9,564	6,030	-

Aurigene Discovery Technologies Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

10. Non-current investments		(Rs in lakhs)	
	As at	As at	
	31 March 2016	31 March 2015	
I. Trade investment quoted			
Investment in equity instrument			
17,120,131 (Previous year : 17,120,131) common stock of USD 0.01 each, fully paid up, of Curis Inc., USA	14,517	14,517	
Total quoted investments	14,517	14,517	
II. Trade investment unquoted			
Investment in equity instrument			
5,215,000 (Previous year : 5,215,000) common stock of USD 1 each, fully paid up, of Aurigene Discovery Technologies Inc., U.S.A., subsidiary company	2,465	2,465	
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	2,621	
Less : Provision for diminution in value of investments	(2,465)	(2,402)	
Net investments	156	219	
Total quoted and unquoted investments	14,673	14,736	
Aggregate market value of quoted investments	18,262	25,680	
Aggregate book value of quoted investments	14,517	14,517	
Aggregate book value of unquoted investments	2,621	2,621	
Aggregate provision for diminution in value of investments	(2,465)	(2,402)	
11. Long-term loans and advances		(Rs in lakhs)	
	As at	As at	
	31 March 2016	31 March 2015	
<i>Unsecured, considered good</i>			
Capital advances	7	2	
Prepaid expenses	-	2	
Security deposits	33	32	
Other receivables	21	17	
	61	53	
12. Inventories		(Rs in lakhs)	
	As at	As at	
	31 March 2016	31 March 2015	
Consumables (net of provision Rs 18 lakhs (previous year Rs 14)	66	54	
	66	54	
13. Trade receivables		(Rs in lakhs)	
	As at	As at	
	31 March 2016	31 March 2015	
Receivables outstanding for a period exceeding six months from the day they became due for payment			
Unsecured			
- considered good	-	-	
- considered doubtful	-	-	
Other receivables			
Unsecured			
- considered good	1,936	1,558	
- considered doubtful	-	-	
	1,936	1,558	
Less: Provision for doubtful receivables	-	-	
	1,936	1,558	

Aurigene Discovery Technologies Limited

Notes to the financial statements for the year ended 31 March 2016 (continued)

14. Cash and bank balances

(Rs in lakhs)

	As at 31 March 2016	As at 31 March 2015
Cash and cash equivalents		
Cash on hand	1	1
Balance with banks		
on current account	331	378
on deposit account (with original maturity of 3 months or less)	1,120	1,080
	<u>1,452</u>	<u>1,459</u>
Other bank balances (due to mature within 12 month of the reporting date)	10,315	14,355
	<u>11,767</u>	<u>15,814</u>

15. Short-term loans and advances

(Rs in lakhs)

	As at 31 March 2016	As at 31 March 2015
<i>Unsecured, considered good</i>		
Loans and advances to employees	3	3
Other loans and advances	626	424
	<u>629</u>	<u>427</u>
<i>Other loans and advances include:</i>		
Prepaid expenses	168	144
Advances to suppliers	55	77
VAT input credit	161	73
Security deposits	4	4
Service tax input credit net	185	123
Other receivables	53	3
	<u>626</u>	<u>424</u>

16. Other current assets

(Rs in lakhs)

	As at 31 March 2016	As at 31 March 2015
Unbilled revenue	65	57
Interest accrued but not due	378	71
	<u>443</u>	<u>128</u>

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended 31 March 2016 (continued)

17. Revenue from operations	(Rs in lakhs)	
	For the year ended 31 March 2016	For the year ended 31 March 2015
Income from services	17,802	13,163
Other operating income	10	9
	<u>17,812</u>	<u>13,172</u>

18. Other income	(Rs in lakhs)	
	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest income on fixed deposit		
- fixed deposit	1,040	1,463
- income tax refund	21	-
Foreign exchange gain	-	56
Lease income	124	19
Profit on sale of fixed assets	1	8
Other non-operating income	12	48
	<u>1,198</u>	<u>1,594</u>

19. Employee benefits	(Rs in lakhs)	
	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries and wages	5,640	5,238
Contribution to provident and other funds		
- Provident fund	226	216
- Superannuation scheme	1	5
Staff welfare	197	190
	<u>6,064</u>	<u>5,649</u>

20. Finance costs	(Rs in lakhs)	
	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest on Income Tax	98	179
	<u>98</u>	<u>179</u>

21. Other expenses	(Rs in lakhs)	
	For the year ended 31 March 2016	For the year ended 31 March 2015
Laboratory consumables	4,776	3,593
Power and fuel	495	502
Rent	150	148
Repairs and maintenance		
Buildings	76	200
Plant and machinery	486	479
Others	355	373
Travelling and conveyance	337	305
Legal and professional	232	226
Business development	194	338
Provision for diminution in investment	63	-
Communication	38	45
Membership and subscription	19	95
Rates and taxes	17	12
Insurance	35	40
Bank charges	6	26
Handling charges	92	68
Software expenses	149	178
Recruitment	17	10
Security	55	47
Safety and environmental	43	51
Printing and stationery	17	18
Foreign exchange loss	346	-
CSR expenditure	36	-
Non executive directors' remuneration	30	-
Miscellaneous	1	1
	<u>8,065</u>	<u>6,755</u>

Aurigene Discovery Technologies Limited

Notes to the financial statements for the year ended 31 March 2016

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 are prepared and presented in accordance with Indian Generally Accepted Accounting Principles ('Indian GAAP') under the historical cost convention on the accrual basis. Indian GAAP comprises mandatory accounting standards as prescribed under Section 133 of the Companies Act, 2013 ('the Act') read with Rule 7 of the Companies (Accounts) Rules, 2014 and the provisions the Act to the extent applicable. The financial statements are presented in Indian rupees and rounded off to nearest rupees lakhs.

b) Current and non-current classification

All assets and liabilities have been classified as current and non-current as per the Company's normal operating cycle and other criteria set out in the revised Schedule III to the Companies Act, 2013. The Company has assumed its normal operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

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) 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.

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended 31 March 2016 (continued)

e) 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.

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.

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.

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.

Aurigene Discovery Technologies Limited
Notes to the financial statements for the year ended 31 March 2016 (continued)

g) 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.

h) 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.

i) 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 2016 (continued)

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. The Company records an obligation for compensated absences in the period in which the employee renders the services that increases this entitlement. The obligation is measured on the basis of actual liability.

j) 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 2016 (continued)

k) 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.

l) 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.

m) 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.

n) 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 2016 (continued)

o) 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.

p) 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 2016 was Rs 12 lakhs (Previous year: Rs 41 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 2016, 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 Company has received an order from the Commissioner of Service Tax, Bangalore demanding Service Tax of Rs 57.94 lakhs on export of income pertaining to the year 2003-04. The Company is a 100% EOU and export of services are exempted from payment of Service tax. The Company has filed an appeal on 18 June 2015 against the Order of the Department to the Customs, Excise and Service Tax Tribunal after paying a tax of Rs 4.35 lakhs under protest.
- (iv) 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.

The Company has paid, under protest, an amount of Rs 17 Lakhs in the prior years 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	Year ended 31 March 2016		Year ended 31 March 2015	
	Value	% of total consumption	Value	% of total consumption
Lab consumables (excluding job work)				
Imported	2,210	46%	1777	49%
Indigenous	2,566	54%	1,816	51%
Total	4,776	100%	3,593	100%
Spare parts (included in repairs and maintenance)				
Imported	92	19%	93	19%
Indigenous	386	81%	386	81%
Total	478	100%	479	100%

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

c) **CIF value of imports**

(Rs in lakhs)

Particulars	Year ended 31 March 2016	Year ended 31 March 2015
Laboratory consumables	2,210	1,777
Capital goods	677	364
Spare parts	92	93
Total	2,979	2,234

d) **Expenditure in foreign currency**

(Rs in lakhs)

Particulars	Year ended 31 March 2016	Year ended 31 March 2015
Travelling and conveyance	51	39
Legal and professional	79	173
Business development	219	301
Others	139	189
Total	487	702

e) **Earnings in foreign currency**

(Rs in lakhs)

Particulars	Year ended 31 March 2016	Year ended 31 March 2015
Income from operations	15,932	11,615

f) **Auditors' remuneration**

(Rs in lakhs)

Particulars	Year ended 31 March 2016	Year ended 31 March 2015
Statutory audit	11	10
Out of pocket expenses	1	1
Total	12	11

* Excludes applicable service tax

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

- 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

Particulars	(Rs in lakhs)	
	Year ended 31 March 2016	Year ended 31 March 2015
Change in defined benefit obligation		
Opening defined benefit obligation	546	463
Current service cost	81	70
Interest cost	47	45
Actuarial (gains)/ losses	(31)	38
Benefits paid	(75)	(71)
Present value of defined benefit obligation	567	546
Fair value of plan assets	513	467
Closing value of defined benefit obligation	54	79

Change in the fair value of assets

Particulars	(Rs in lakhs)	
	Year ended 31 March 2016	Year ended 31 March 2015
Opening fair value of plan assets	467	455
Contributions during the year	85	34
Benefits paid	(75)	(71)
Actuarial (gain)/ losses	(1)	7
Expected return on plan assets	37	42
Closing fair value of plan assets	513	467

Gratuity cost for the year

Particulars	(Rs in lakhs)	
	Year ended 31 March 2016	Year ended 31 March 2015
Current service cost	81	70
Interest on defined benefit obligation	47	45
Net actuarial losses	(30)	30
Expected return on plan assets	(37)	(41)
Total included in “salaries and wages”	60	104

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

Gratuity break-up

(Rs in lakhs)

Particulars	As at 31 March 2016	As at 31 March 2015
Non-current portion	54	79
Current portion	-	-
Total	54	79

Assumptions at the valuation date

Particulars	Year ended 31 March 2016	Year ended 31 March 2015
Discount rate	7.85%	8%
Salary escalation rate	10%	10%
Average attrition rate	21.88%	14.72%

Salary escalation rate

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

Discount rate

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

Average attrition rate

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

Experience adjustments

(Rs in lakhs)

Particulars	Year ended				
	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Defined benefit obligation	567	546	463	380	278
Plan assets	513	467	455	365	-
Surplus / (deficit)	(54)	(79)	(8)	(15)	(278)
Experience adjustment on plan liabilities	(21)	17	36	5	(2)
Experience adjustment on plan assets	(1)	8	5	-	-

The Company expects Rs 54 lakhs (previous year Rs 80 lakhs) in contribution to be paid to its defined benefits plan in the next year.

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

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:

(Rs in lakhs)

Particulars	Year ended 31 March 2016	Year ended 31 March 2015
Long term incentive liability	859	719
Non-current portion	319	254
Current portion	540	464

h) Operating leases

The Company has certain premises under cancelable operating lease agreements. The total rental expense under cancelable operating leases is Rs 150 Lakhs (Previous year: Rs 148 lakhs).

The Company has entered into a deed of lease with Dr.Reddy's Laboratories Limited for one of its premises on 5 February 2015. The lease term is for 5 years. The lease may be renewed for further period of 5 years by entering into a fresh lease deed. There is no escalation clause in the lease agreement and sub-letting is not permitted. Total lease rental received by the Company during the year amounts to Rs 124 lakhs (Previous year: Rs 19 lakhs). The carrying amount of the building given on operating lease and depreciation thereon for the period are:

(Rs in lakhs)

Particulars	Year ended 31 March 2016	Year ended 31 March 2015
Gross carrying amount	735	735
Accumulative depreciation	(59)	(35)
Net carrying amount	676	700
Depreciation	24	4

i) Deferred taxes

Components of deferred tax assets and liabilities are:

(Rs in lakhs)

Particulars	As at 31 March 2016	As at 31 March 2015
Fixed assets	138	114
Provision for expenses	199	86
Provision for compensated absences	21	-
Differential income effect due to ICDS	185	-
Deferred tax asset	543	200

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

j) **Earnings per share (EPS)**

(Rs in lakhs, except for share data)

Particulars	Year ended 31 March 2016	Year ended 31 March 2015
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	2,407	674
Basic/diluted earnings per share (Rs)	2.66	0.74

k) **Segment reporting**

Primary Segment – Business segment

The Company is primarily engaged in the single business segment of undertaking research relating to drug discovery for its customers. The Company is managed as one entity and is governed by similar sets of risks and returns.

Secondary Segment – Geographical segment

Secondary segment reporting based on the location of the Company's customer is as detailed below:

Country	For the year ended 31 March 2016	As at 31 March 2016	For the year ended 31 March 2016	For the year ended 31 March 2015	As at 31 March 2015	For the year ended 31 March 2015
	Segment Revenue	Segment Assets	Capital Expenditure	Segment Revenue	Segment Assets	Capital Expenditure
India	1,876	34,390	199	1,552	37,703	557
USA	9,237	1,212	136	5,583	1,057	181
Europe	5,871	303	321	5,821	213	74
Others	829	99	220	216	28	110
Total	17,812	36,004	877	13,172	39,000	921

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

1) Related party disclosures

- i. Parties where control exists;
- Dr. Reddy's Laboratories Ltd., Hyderabad - holding company
 - Aurigene Discovery Technologies Inc., U.S.A - subsidiary company
 - Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia - subsidiary company
- ii. Other related parties with whom transactions have taken place:
- Pcovery an entity in which 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 2016	Year ended 31 March 2015
Advances to		
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia	-	186
Investment in Equity		
Aurigene Discovery Technologies Inc., U.S.A	-	63
Advances repayment by		
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia	-	316
Aurigene Discovery Technologies Inc., U.S.A	-	83
Revenue from operations		
Dr. Reddy Laboratories Limited	1,859	1,528
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia	434	-
Promius Pharma, LLC.	4	5
Pcovery	-	76
Fixed assets purchased		
Dr. Reddy Laboratories Limited	-	139
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia	16	-
Rental income		
Dr. Reddy Laboratories Limited	124	19
Lab consumables		
Dr. Reddy Laboratories Limited	118	8

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

Particulars of related party transactions (continued)

(Rs in lakhs)

Particulars	Year ended 31 March 2016	Year ended 31 March 2015
Reimbursement of expenditure paid to:		
Dr. Reddy Laboratories Limited		
Power and fuel charges	239	273
Insurance	2	-
Repairs and maintenance	33	36
Membership and subscription	-	33
Other expenses	-	6
CJK Biomedical LLC		
Business promotion expense	-	12
Aurigene Discovery Technologies Inc., U.S.A		
Business promotion expense	-	153
Reimbursement of expenditure from Dr. Reddy Laboratories Limited:		
Water and electricity	28	16
Machinery maintenance	4	2
Telephone and others	1	1
Research and development expenses paid to:		
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia	380	404
Lease rent paid		
Dr. Reddy Laboratories Limited	138	142
Dividend paid		
Dr. Reddy Laboratories Limited	1,585	788
Provision made for other than temporary diminution in the value of non-current investment		
Aurigene Discovery Technologies Inc., U.S.A	63	-
Salary paid to Key Management Personnel*		
Mr. CSN Murthy – Chief Executive Officer	306	312
Mr. Ashish Lath – Chief Financial Officer	88	62

* It does not include cost of retirement benefit such as gratuity and compensated absences. Further, it includes long-term incentives paid during the year.

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

The following amounts are due from related parties

Particulars	(Rs in lakhs)	
	As at 31 March 2016	As at 31 March 2015
Due to related parties (included in trade payables)		
Dr. Reddy Laboratories Limited	53	107
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia	31	37
Provision for intercompany expenses with Dr. Reddy Laboratories Limited	67	-
Aurigene Discovery Technologies Inc., U.S.A	-	33
Due from related parties (included in trade receivables)		
Dr. Reddy Laboratories Limited	385	318
Due from related parties (included in loans and advances)		
Dr. Reddy Laboratories Limited	48	20
Investment in subsidiaries		
Aurigene Discovery Technologies Inc., U.S.A.	2,465	2,465
Aurigene Discovery Technologies (M) Sdn Bhd, Malaysia	156	156
Provision for permanent diminution in value of investment		
Aurigene Discovery Technologies Inc., U.S.A.	2,465	2,402

m) **Micro, Small and Enterprises**

The Official Memorandum dated 26 August 2008, prescribes that Micro and Small Enterprises should mention in their correspondence with their customer the Entrepreneurs Memorandum Number as allotted after filing of the Memorandum. Based on the information available with the Company, there are no enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under the Micro Small and Medium Enterprises Development Act, 2006 ('MSMED').

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
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	As at	As at	As at	As at
		31 March 2016	31 March 2016	31 March 2015	31 March 2015
		Foreign currency	Rs. in lakhs	Foreign currency	Rs. in lakhs
Trade receivable	USD	2,314,914	1,562	1,983,875	1,237
	MYR	91,729		-	
Trade payable	USD	705,178	508	171,111	163
	GBP	5,963		5,328	
	CAD	-		-	
	MYR	183,358		220,519	
	SEK	-		104,500	
	Euro	11,191		9,885	
EEFC Accounts	USD	422,516	280	415,776	136
	EUR	371	0.27	371	0.2

- o)** 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.

p) Corporate Social Responsibility

As per Section 135 of the Companies Act 2013, the Company has identified areas including activities for promoting programs that benefit the communities in and around Aurigene's work centre and further results in enhancing the quality of life and economic well-being of the local populace, express commitment to the social development through responsible business practices and good governance, engage with state and its agencies in pursuing the development agenda for sustainable changes for its CSR activities. These areas will be pursued in phases and in a manner aligned with the CSR rules and regulations. The funds have been contributed to trusts/organisations involved in the above activities and will be utilised on the activities which are specified in Schedule VII of the Companies Act 2013. The gross amount required to be spent by the Company on CSR activities during the current year is Rs 54 lakhs. The total expenditure actually incurred on 'Corporate Social Responsibility Activities' for the current year are Rs 36 lakhs.

(Rs in lakhs)

CSR activities	In cash
Donation to trust	36
Total	36

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

q) 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. In connection with the issuance of such shares, Curis and Aurigene entered into a Registration Rights Agreement dated 18 January 2015 which provides for certain registration rights with respect to resales of the shares.

The fair value of these equity shares on the date of agreement was Rs 1452 million (USD 23.5 million). Such non-refundable upfront consideration is recognized as revenue over the period in which the Company has continuing performance obligations.

Aurigene is also entitled to development and commercial milestone payments as follows:

- for the first two programs: up to USD 52.5 million per program, including USD 42.5 million for approval and commercial milestones, plus pre-specified approval milestone payments for additional indications, if any;
- for the third and fourth programs: up to USD 50 million per program, including USD 42.5 million for approval and commercial milestones, plus pre-specified approval milestone payments for additional indications, if any; and
- for any program thereafter: up to USD 140.5 million per program, including USD 87.5 million in approval and commercial milestones, plus pre-specified approval milestone payments for additional indications, if any.

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. During the year the Company has received Licensing fees for Program Target Profile (‘PTP’) 1, PTP 2 and selection of PTP3 and the same is recognized as revenue over the period of the contract.

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

- r) Previous year's figures have been regrouped / reclassified, wherever necessary, to conform to current year's classification, as detailed below:

Particulars	(Rs in lakhs)
	As at 31 March 2016
Reclassification of other receivables from short term loan and advances to long term loans and advances	17
Reclassification of provision of long term incentives from other current liabilities to short term provisions.	464
Reclassification of gratuity from short term provisions to long term provisions	79
Reclassification of accrued expenses from other current liabilities to trade payables	103

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

Rohit Alexander
Partner
Membership number : 222515

Place : Bangalore
Date : 3 May 2016

G. V. Prasad
Director

Place : Hyderabad
Date : 3 May 2016

Satish Reddy
Director

Place : Hyderabad
Date : 3 May 2016

Ashish Lath
Chief Financial Officer

Place : Bangalore
Date : 3 May 2016

Vandana Bhatia
Company Secretary

Place : Hyderabad
Date : 3 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

beta Institut gemeinnützige GmbH**Balance Sheet**

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

	Note	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	5,401	5,401
Reserves and surplus	2.2	1,153	(1,947)
		<u>6,554</u>	<u>3,454</u>
Current liabilities			
Other current liabilities	2.3	606	1,073
		<u>606</u>	<u>1,073</u>
	TOTAL	<u><u>7,160</u></u>	<u><u>4,527</u></u>
ASSETS			
Current assets			
Cash and bank balances	2.4	297	4,527
Other current assets	2.5	6,863	-
		<u>7,160</u>	<u>4,527</u>
	TOTAL	<u><u>7,160</u></u>	<u><u>4,527</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

Dr. Clemens J. Troche

Director

Place: Hyderabad

Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Income			
Other income	2.6	15,353	17,063
Total revenue		<u>15,353</u>	<u>17,063</u>
Expenses			
Employee benefits expense	2.7	10,681	11,097
Depreciation and amortization expense		-	67
Other expenses	2.8	4,496	5,944
Total expenses		<u>15,177</u>	<u>17,108</u>
Profit/(Loss) before tax		176	(45)
Tax expense	2.11	-	-
Profit/(Loss) for the year		<u>176</u>	<u>(45)</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: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Profit/(Loss) before taxation	176	(45)
Adjustments:		
Depreciation and amortisation expense	-	67
Operating cash flows before working capital changes	<u>176</u>	<u>22</u>
<i>Changes in operating assets and liabilities</i>		
Other assets and liabilities, net	(4,761)	1,387
Cash generated from / (used in) operations	<u>(4,585)</u>	<u>1,409</u>
Income taxes paid, net	-	-
Net cash from / (used in) operating activities	<u>(4,585)</u>	<u>1,409</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		
Interest paid	-	-
Net cash from / (used in) financing activities	<u>-</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents	(4,585)	1,409
Cash and cash equivalents at the beginning of the year	4,527	4,068
Effect of foreign exchange gain/(loss) on cash and cash equivalents	355	(950)
Cash and cash equivalents at the end of the year	<u><u>297</u></u>	<u><u>4,527</u></u>
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	297	4,527
Other bank balances	-	-
Cash and bank balances at the end of the year	<u><u>297</u></u>	<u><u>4,527</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

Dr. Clemens J. Troche
Director

A Ramachandra Rao
Partner
Membership No. 9750

Place: Hyderabad
Date: 9 May 2016

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Foreign currency translation reserve		
Balance at the beginning of the year	(839)	(1,976)
Movement during the year	<u>2,924</u>	<u>1,137</u>
	<u>2,085</u>	<u>(839)</u>
Deficit		
Balance at the beginning of the year	(1,108)	(1,063)
Add: Current year profit/(loss)	<u>176</u>	<u>(45)</u>
Balance carried forward	<u>(932)</u>	<u>(1,108)</u>
	<u>1,153</u>	<u>(1,947)</u>

2.3 : Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Accrued expenses	443	742
Others	<u>163</u>	<u>331</u>
	<u>606</u>	<u>1,073</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 : Cash and bank balances**

	As at 31 March 2016	As at 31 March 2015
Cash on hand	-	26
Bank balances		
In current accounts	297	4,501
	<u>297</u>	<u>4,527</u>

2.5 : Other current assets

	As at 31 March 2016	As at 31 March 2015
<i>Considered good</i>		
Other current assets	6,863	-
	<u>6,863</u>	<u>-</u>

2.6 : Other operating revenue

	For the year ended 31 March 2016	For the year ended 31 March 2015
Miscellaneous income	15,353	17,063
	<u>15,353</u>	<u>17,063</u>

2.7 : Employee benefits expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	8,921	9,461
Contribution to provident and other funds	1,649	1,602
Staff welfare expenses	111	34
	<u>10,681</u>	<u>11,097</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)**2.8 : Other expenses**

	For the year ended 31 March 2016	For the year ended 31 March 2015
Legal and professional	2,502	901
Other selling expenses	-	20
Communication	475	306
Other general expenses	1,519	4,717
	<u>4,496</u>	<u>5,944</u>

2.9 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016 (previous year: Nil).

2.10 : Related party disclosures

a. The Company has following related party transactions:

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
i. Reimbursement of operating and other expenses by holding company and other group companies:		
betapharm Arzneimittel GmbH	15,179	21,016
ii. Reimbursement of operating and other expenses to holding company and other group companies:		
betapharm Arzneimittel GmbH	486	1,104
Reddy Holding GmbH	723	3,244

2.11 : 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.**2.12 : 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

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

A Ramachandra Rao

Partner

Membership No. 9750

Dr. Clemens J. Troche

Director

Place: Hyderabad

Date: 9 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

betapharm Arzneimittel GmbH

Balance Sheet

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

	Note	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	598	598
Reserves and surplus	2.2	80	8,911
		<u>678</u>	<u>9,509</u>
Non current liabilities			
Long term borrowings	2.3	2,237	2,307
Other long term liabilities		15	-
		<u>2,252</u>	<u>2,307</u>
Current liabilities			
Trade payables	2.4	14,778	7,948
Other current liabilities	2.5	49,330	15,178
Short term provisions	2.6	1,107	1,661
		<u>65,215</u>	<u>24,787</u>
	TOTAL	<u>68,145</u>	<u>36,603</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	2,454	2,330
Intangible assets	2.7	27,757	10,181
Capital work-in-progress		1,013	29
Long term loans and advances	2.8	1	1
		<u>31,225</u>	<u>12,541</u>
Current assets			
Inventories	2.9	8,886	7,130
Trade receivables	2.10	25,589	15,961
Cash and bank balances	2.11	78	225
Short term loans and advances	2.12	2,255	746
Other current assets	2.13	112	-
		<u>36,920</u>	<u>24,062</u>
	TOTAL	<u>68,145</u>	<u>36,603</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 2016

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 2016	For the year ended 31 March 2015
Income			
Sales, net		96,993	89,963
Other operating revenues		32	102
Revenue from operations		97,025	90,065
Other income	2.14	238	2,232
Total revenue		97,263	92,297
Expenses			
Purchase of stock-in-trade (traded goods)		32,624	28,922
Changes in inventories of work-in-progress and stock-in-trade	2.15	(1,752)	895
Employee benefits expense	2.16	4,701	5,449
Finance costs	2.17	-	333
Depreciation and amortisation expense	2.7	2,859	3,192
Other expenses	2.18	58,811	82,440
Total expenses		97,243	121,231
Profit/(Loss) before tax		20	(28,934)
Tax expense	2.21	-	-
Profit/(Loss) for the year		20	(28,934)

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 2016

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

Dr. Clemens J. Troche
Director

Abhijit Mukherjee
Director

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Profit/(Loss) before taxation	20	(28,934)
Adjustments:		
Depreciation and amortisation expense	2,859	3,192
Allowance for sales returns	496	2,080
Interest income	(238)	(221)
Finance costs	-	333
Provision for inventory obsolescence	141	850
Operating cash flows before working capital changes	3,278	(22,700)
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(7,362)	(1,165)
Inventories	(990)	(1,537)
Trade payables	5,618	2,551
Other assets and liabilities, net	19,420	(3,850)
Cash generated from / (used in) operations	19,964	(26,701)
Income taxes paid, net	-	-
Net cash from / (used in) operating activities	19,964	(26,701)
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(20,096)	(1,278)
Decrease in deposit accounts (having original maturity of more than 3 months) and other bank balances	-	50,036
Interest received	238	345
Net cash from / (used in) investing activities	(19,858)	49,103
Cash flows from / (used in) financing activities		
Repayment of long term borrowings, net	(274)	(51,386)
Interest paid	-	(333)
Net cash from / (used in) financing activities	(274)	(51,719)
Net increase / (decrease) in cash and cash equivalents	(168)	(29,317)
Cash and cash equivalents at the beginning of the year	225	31,557
Effect of foreign exchange gain/(Loss) on cash and cash equivalents	21	(2,015)
Cash and cash equivalents at the end of the year	78	225
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	78	225
Other bank balances	-	-
Cash and bank balances at the end of the year	78	225

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

Abhijit Mukherjee

Director

Place: Hyderabad

Date: 9 May 2016

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 2016	As at 31 March 2015
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 2016	As at 31 March 2015
Foreign currency translation reserve		
Balance at the beginning of the year	(36,566)	(33,989)
Movement during the year	<u>(8,851)</u>	<u>(2,577)</u>
	<u>(45,417)</u>	<u>(36,566)</u>
Securities premium reserve		
Balance at the beginning of the year	73,856	73,856
Movement during the year	<u>-</u>	<u>-</u>
	<u>73,856</u>	<u>73,856</u>
Surplus / (Deficit)		
Balance at the beginning of the year	(28,379)	555
Add: Current year profit / (loss)	<u>20</u>	<u>(28,934)</u>
Balance carried forward	<u>(28,359)</u>	<u>(28,379)</u>
	<u>80</u>	<u>8,911</u>

2.3 : Long term borrowings

	As at 31 March 2016	As at 31 March 2015
Secured		
Long term maturities of finance lease obligations	<u>2,237</u>	<u>2,307</u>
	<u>2,237</u>	<u>2,307</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 2016	As at 31 March 2015
Payables to holding company and other group companies	11,720	6,557
Payables to others	<u>3,058</u>	<u>1,391</u>
	<u>14,778</u>	<u>7,948</u>

2.5 : Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Current maturities of finance lease obligations	155	79
Due to statutory authorities	-	3
Due to holding company and other group companies	18,551	-
Accrued expenses	28,652	14,869
Due to capital creditors	11	-
Others	<u>1,961</u>	<u>227</u>
	<u>49,330</u>	<u>15,178</u>

2.6 : Short term provisions

	As at 31 March 2016	As at 31 March 2015
Allowance for sales returns	<u>1,107</u>	<u>1,661</u>
	<u>1,107</u>	<u>1,661</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 01.04.2015	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 01.04.2015	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Land	931	-	-	114	1,045	-	-	-	-	-	1,045	931
Building (under finance lease)	2,667	-	-	317	2,984	1,392	119	-	168	1,679	1,305	1,276
Plant and machinery	538	-	-	61	599	533	3	-	61	597	2	5
Furniture and fixtures and office equipment	841	24	216	121	770	723	55	216	107	669	102	118
Vehicles	8			1	9	8			1	9	-	-
Total tangible assets (A)	4,986	24	216	614	5,407	2,656	177	216	337	2,954	2,454	2,330
Patents, trademarks and marketing rights	108,158	19,088	-	12,846	140,092	97,977	2,682		11,676	112,335	27,757	10,181
Total intangible assets (B)	108,158	19,088	-	12,846	140,092	97,977	2,682	-	11,676	112,335	27,757	10,181
Total (A+B)	113,143	19,112	216	13,460	145,499	100,633	2,859	216	12,013	115,289	30,211	12,511
Previous year	138,606	1,249	536	(26,175)	113,143	121,163	3,192	536	(23,187)	100,632	12,511	

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

	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Security deposits	1	1
	<u>1</u>	<u>1</u>

**2.9 : Inventories
(Valued on weighted average basis)**

	As at 31 March 2016	As at 31 March 2015
Raw materials	5	2
Work-in-progress	49	34
Stock-in-trade	8,832	7,094
	<u>8,886</u>	<u>7,130</u>

2.10 : Trade receivables

	As at 31 March 2016	As at 31 March 2015
Unsecured		
Debts outstanding for a period exceeding six months		
Considered doubtful	32	53
Other debts		
Considered good	25,589	15,961
	<u>25,621</u>	<u>16,014</u>
<i>Less</i> : Provision for doubtful debts	(32)	(53)
	<u>25,589</u>	<u>15,961</u>

2.11 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Cash on hand	1	1
Bank balances		
In current accounts	77	224
Total cash and bank balances	<u>78</u>	<u>225</u>

2.12 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Advances to material suppliers	473	51
Prepaid expenses	74	61
Staff loans and advances	2	-
Other advances	1,706	634
	<u>2,255</u>	<u>746</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 2016	As at 31 March 2015
<i>Considered good</i>		
Other receivables from holding company and other group companies	112	-
	<u>112</u>	<u>-</u>

2.14 : Other income

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest income	238	221
Foreign exchange gain, net	-	2,011
	<u>238</u>	<u>2,232</u>

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

	For the year ended 31 March 2016	For the year ended 31 March 2015
<i>Opening</i>		
Work-in-progress	34	69
Stock-in-trade	7,094	7,954
	<u>7,128</u>	<u>8,023</u>
<i>Closing</i>		
Work-in-progress	49	34
Stock-in-trade	8,832	7,094
	<u>8,880</u>	<u>7,128</u>
<i>Net decrease</i>	<u>(1,752)</u>	<u>895</u>

2.16 : Employee benefits expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	4,255	5,061
Contribution to provident and other funds	351	344
Staff welfare expenses	95	44
	<u>4,701</u>	<u>5,449</u>

2.17 : Finance costs

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest expenses	-	333
	<u>-</u>	<u>333</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 2016	For the year ended 31 March 2015
Legal and professional	598	262
Carriage outward	542	582
Conversion charges	139	214
Rates and taxes	1,128	1,433
Other selling expenses	1,399	1,913
Travelling and conveyance	71	83
Communication	86	52
Rent	6	5
Insurance	175	82
Foreign exchange loss, net	1,101	-
Profit share to holding company	51,687	75,824
Other general expenses	1,879	1,990
	<u>58,811</u>	<u>82,440</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 2016 (previous year: Nil).

2.20: Related party disclosures

a. The Company has following related party transactions

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
i. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	31,507	13,610
Dr. Reddy's Laboratories (UK) Limited	323	576
ii. Purchases of assets from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	-	647
iii. Sales to other companies within the group:		
Dr. Reddy's Laboratories Inc.	49,464	50,236
iv. Reimbursement of operating and other expenses by holding company and other group companies:		
Dr. Reddy's Laboratories Limited	-	35
Reddy Holding GmbH	27	138
beta Institut gemeinnützige GmbH	5	11
v. Reimbursement of operating and other expenses to holding company and other group companies:		
Reddy Holding GmbH	1,300	1,376
beta Institut gemeinnützige GmbH	152	210
vi. Interest received /receivable from holding company and other group companies:		
Reddy Holding GmbH	181	-
vii. Profit share to holding company and other group companies:		
Reddy Holding GmbH	51,687	75,824

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

Particulars	As at 31 March 2016	As at 31 March 2015
i. Due from related parties (included in Trade Receivables and other current assets):		
Dr. Reddy's Laboratories Inc.	18,523	8,348
Dr. Reddy's Laboratories Limited	-	75
ii. Due to related parties (included in Trade payables and other current liabilities):		
Dr. Reddy's Laboratories Limited	23,910	6,434
Dr. Reddy's Laboratories (UK) Limited	-	123
Reddy Holding GmbH	6,361	-

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 2016 are as follows:

Particulars	Present value of minimum lease payments	Future interest	Minimum lease payments
Not later than 1 year	155	37	192
Later than 1 year and not later than 5 years	644	124	768
Beyond 5 years	1,593	72	1,665
Total	2,392	234	2,625

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

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

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2016

for and on behalf of the Board of Directors

Dr. Clemens J. Troche

Director

Abhijit Mukherjee

Director

Chemnor Investments Limited
Board's Report

Dear Members,

Your Directors present the 26th Board's Report of the Company for the year ended 31 March 2016.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2015-16 as compared to previous financial year:

(Rs. in thousands)

Particulars	31 March 2016	31 March 2015
Profit/(Loss) for the period after taxation	(11)	(11)
Balance brought forward	(177)	(166)
Balance carried forward to Balance Sheet	(188)	(177)

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 2016.

Transfer to reserves

No amount is proposed to be transferred to any reserves during the year under the review

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. Hence the relevant disclosure or reporting provisions are not applicable to the Company.

Material Changes and Commitments affecting the financial position of the Company

No material change and commitments affecting the financial position of the Company, has 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 2015, 29 July 2015, 28 October 2015 and 29 January 2016.

Board of Directors

Pursuant to provisions of Section 152 of the Companies Act, 2013, Mr. Venkatanarasimham Mannam (DIN: 02677423), 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.

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 2015-16 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.

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

The 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 the Company as well. Identified key risks and internal control matters pertaining to the 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.

Related Party Transactions

In accordance with Section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014, the particulars of contract or arrangement entered into by the Company with related parties referred to in Section 188(1) in Form AOC-2 is attached as “**Annexure I**”.

The details of related party disclosures form part of the notes to the financial statements provided in this Annual Report.

Statutory Auditors

The Statutory Auditors of the Company M/s. A. Ramachandra Rao & Co., Chartered Accountants, retire at the ensuing 26th 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 2016-17 for shareholder's approval.

Board's response on auditor's qualification, reservation or adverse remark or disclaimer made

There are no qualifications, reservations or adverse remarks made by the Statutory Auditors in their report. During the year, there were no instances of frauds reported by auditors under section 143(12) of the Companies Act, 2013

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

Since the Company did not have any operations during the year, 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 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

Saumen Chakraborty
Director

Place: Hyderabad
Date: May 10, 2016

Venkatanarasimham Mannam
Director

FORM NO. AOC – 2

(Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis:

(a)	Name(s) of the related party and nature of relationship	Not Applicable
(b)	Nature of contracts/arrangements/transactions	
(c)	Duration of the contracts/arrangements/ transactions	
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
(e)	Justification for entering into such contracts or arrangements or transactions	
(f)	Date(s) of approval by the Board	
(g)	Amount paid as advances, if any	
(h)	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	

2. Details of material contracts or arrangement or transactions at arm's length basis:

(a)	Names(s) of the related party and nature of relationship	Dr. Reddy's Laboratories Limited – Holding Company
(b)	Nature of contracts/arrangements/ transactions	Due to holding company (included in long term borrowings)
(c)	Duration of the contracts/arrangements transactions	Ongoing.
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Refer Note 2.11 of the Notes to Financial Statements.
(e)	Date(s) of approval by the Board, if any	-
(f)	Amount paid as advances, if any	-

For and on behalf of the Board of Directors

Saumen Chakraborty
Director

Venkatanarasimham Mannam
Director

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) FIs	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, 5 equity shares are held by five 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)	01.04.2015	1	0	0	0	1	0
		31.03.2016	1	0	0	0	1	0
2	Dr. S Chandrasekhar (Director)	01.04.2015	0	0	0	0	0	0
		31.03.2016	0	0	0	0	0	0
3	Mr. Venkatanarasimham Mannam (Director)	01.04.2015	1	0	0	0	1	0
		31.03.2016	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

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year (April 1, 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
Change in Indebtedness during the financial year				
Addition	-	-	-	-
Reduction	-	-	-	-
Net Change	-	-	-	-
Indebtedness at the end of the financial year (March 31, 2016)				
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 **M/s Cheminor Investments Limited**, which comprise the Balance Sheet as at March 31, 2016, and the Statement of Profit and Loss for the year ended on that date annexed thereto and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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 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; and design, implementation and maintenance of internal financial control, that were operating effectively for ensuring the accuracy and completeness of the asystem over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial contr

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 judgement, 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. 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;

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2016;
- b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- 1 As required by the Companies (Auditor's Report) Order, 2016 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 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 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, 2016, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
 - f) As required under clause (i), a separate report on the internal financial controls is annexed in Annexure-B herewith.
 - g) With respect to the other matters included in the Auditor's Report 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 M/s A.Ramachandra Rao & Co
Chartered Accountants
ICAI FRN: 002857S

A. Ramachandra Rao
Partner
Membership No. : 9750

Place: Hyderabad
Date: 10 May 2016

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 been physically verified by the management during the year and no material discrepancies were noticed on such verification;
c) The title deeds of immovable properties of the company are held in the name of the company.
- ii. The company does not have any inventories and hence, in our opinion, clauses 4(ii) of the Order is not applicable to the company.
- iii. Based on the information provided to us, the company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 hence, in our opinion, the Clause 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable to the company for the year.
- iv. Based on the information provided to us, the company has not given any loan, guarantee, nor provided any security in connection with a loan and hence, in our opinion, the clause 3(iv) of the Order is not applicable to the company during the year.
- 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. In our opinion and according to the information and explanations given to us, the Central Government has not prescribed maintenance of Cost Records under Section 148(1) of the Companies Act, 2013 and hence clause 3(vi) of the Order is not applicable to the Company.
- vii. (a) According to the records of the company, the company is regular in depositing the undisputed statutory dues including income-tax, service tax, cess with the appropriate authorities;
(b) According to the information and explanations given to us, there are no dues of income tax, service tax, cess to be deposited on account of any dispute and hence, clause 3(vii)(b) of the Order is not applicable to the company during the year.
- viii. Based on the information provided and explanation given to us, the company has not taken any loans from banks, financial institutions, Government nor are there any debentures outstanding as at the year end and hence clause 4(viii) of the Order is not applicable to the company for the year.
- ix. According to the information and explanations given to us, the Company has not taken any term loans nor has raised any monies by way of IPO/FPO during the year and hence clause 4(iv) of the Order is not applicable to the Company for the year.

- x. 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.
- xi. The Company has not paid any managerial remuneration during the year and hence clause 3(xi) of the Order is not applicable to the Company for the year.
- xii. The Company is not a Nidhi Company as per section 406 of the Companies Act,2013. So clause 3(xii) of the Order is not applicable to the company.
- xiii. All transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards;
- xiv. The company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, clause 3(xiv)of the Order is not applicable to the company during the year.
- xv. As per the information given to us, the company has not entered into any non-cash transactions with directors or persons connected with them during the year under review and so, clause 3(xv) of the Order is not applicable to the company during the year.
- xvi. The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and so, clause (xvi) is not applicable to this company.

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

A. Ramachandra Rao
Partner
Membership No. : 9750

Place: Hyderabad
Date: 10 May 2016

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF
M/S Cheminor Investments Limited
[Re : Clause 2(f) of the Independent Auditors Report]

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of M/s Cheminor Investments Limited, as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on, the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

A. Ramachandra Rao
Partner
Membership No. : 9750

Place: Hyderabad
Date: 10 May 2016

Chemisor Investments Limited
Balance Sheet

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

	Note	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,346	1,346
Reserves and surplus	2.2	<u>(188)</u>	<u>(177)</u>
		<u>1,158</u>	<u>1,169</u>
Non current liabilities			
Long term borrowings	2.3	<u>7</u>	<u>7</u>
		<u>7</u>	<u>7</u>
Current liabilities			
Other current liabilities	2.4	<u>57</u>	<u>46</u>
		<u>57</u>	<u>46</u>
	TOTAL	<u><u>1,222</u></u>	<u><u>1,222</u></u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	<u>1,209</u>	<u>1,209</u>
		<u>1,209</u>	<u>1,209</u>
Current assets			
Cash and bank balances	2.6	<u>13</u>	<u>13</u>
		<u>13</u>	<u>13</u>
	TOTAL	<u><u>1,222</u></u>	<u><u>1,222</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

Venkatanarasimham Mannam

Director

Place: Hyderabad

Date: 10/05/2016

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 2016	For the year ended 31 March 2015
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: 10/05/2016

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 2016	For the year ended 31 March 2015
Cash flow from operating activities		
Loss for the year	(11)	(11)
Operating profit before working capital changes	<u>(11)</u>	<u>(11)</u>
Changes in operating assets and liabilities		
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	<u>-</u>	<u>-</u>
Cash flows from/(used in) financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash & bank balances	<u>-</u>	<u>-</u>
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: 10/05/2016

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

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-

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

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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 2016		As at 31 March 2015	
	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 2016		As at 31 March 2015	
	No. of shares	% of shares	No. of shares	% of shares
Equity Shares				
Dr. Reddy's Laboratories Limited (including shares held by nominees)	134,513	100	134,513	100
Preference Shares				
G V Prasad	4	50	4	50
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 2016	As at 31 March 2015
<i>Deficit</i>		
Balance at the beginning of the year	(177)	(166)
Add: Current year loss	<u>(11)</u>	<u>(11)</u>
Balance carried forward	<u><u>(188)</u></u>	<u><u>(177)</u></u>

2.3 Long term borrowings

	As at 31 March 2016	As at 31 March 2015
<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 2016	As at 31 March 2015
Other current liabilities	<u>57</u>	<u>46</u>
	<u><u>57</u></u>	<u><u>46</u></u>

Chemisor Investments Limited**Notes to Financial Statements**

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

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

Description	Gross Block			Depreciation			Net Block			
	As at 01.04.2015	Additions	Deletions	As at 31.03.2016	As at 01.04.2015	For the year	Deletions	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
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	

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)**2.6 : Cash and bank balances**

	As at 31 March 2016	As at 31 March 2015
Bank balances		
In current accounts	13	13
	<u>13</u>	<u>13</u>

2.7 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
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 2016 (previous year: Nil).

2.9 : Earnings per share

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
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 2016	As at 31 March 2015
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: 10/05/2016

for and on behalf of the Board of Directors

Saumen Chakraborty

Director

Venkatanarasimham Mannam

Director

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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 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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

Chienna B.V.
Balance Sheet

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

	Note	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,405	1,405
Reserves and surplus	2.2	(933,225)	(687,286)
		<u>(931,820)</u>	<u>(685,881)</u>
Current liabilities			
Other current liabilities	2.3	1,366,176	1,056,404
Short term provisions	2.4	2,659	-
		<u>1,368,835</u>	<u>1,056,404</u>
	TOTAL	<u>437,015</u>	<u>370,523</u>
ASSETS			
Current assets			
Cash and bank balances	2.5	1,505	1,758
Short term loans and advances	2.6	435,416	368,765
Other current assets	2.7	94	-
		<u>437,015</u>	<u>370,523</u>
	TOTAL	<u>437,015</u>	<u>370,523</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: 9 May 2016

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 2016	For the year ended 31 March 2015
Income			
Interest income		20,254	20,522
Total revenue		20,254	20,522
Expenses			
Employee benefits expense	2.8	113,434	139,471
Finance costs		60,646	54,800
Other expenses	2.9	1,658	2,744
Total expenses		175,738	197,015
Loss before tax		(155,484)	(176,493)
Tax expense	2.12	-	-
Loss for the period		(155,484)	(176,493)

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: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash Flows from operating activities		
Loss before tax	(155,484)	(176,493)
Operating cash flows before working capital changes	<u>(155,484)</u>	<u>(176,493)</u>
<i>Changes in operating assets and liabilities</i>		
Other assets and liabilities, net	155,036	178,475
Cash generated from operations	<u>(448)</u>	<u>1,983</u>
Income taxes paid, net	-	-
Net cash from operating activities	<u>(448)</u>	<u>1,983</u>
Cash flows from / (used in) financing activities		
Net cash used in financing activities	<u>-</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents	(448)	1,983
Cash and cash equivalents at the beginning of the year	1,758	47
Effect of foreign exchange gain/(loss) on cash and cash equivalents	195	(273)
Cash and cash equivalents at the end of the year	<u><u>1,505</u></u>	<u><u>1,758</u></u>
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	1,505	1,758
Cash and bank balances at the end of the year	<u><u>1,505</u></u>	<u><u>1,758</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

A Ramachandra Rao
Partner
Membership No. 9750

OctoPlus B.V.
Director

Place: Hyderabad
Date: 9 May 2016

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.

The financial statements have been prepared based on books, records and other returns maintained by the subsidiary. The financial statements have been presented in Indian Rupees, for the limited purpose of complying with section 129 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.

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Foreign currency translation reserve		
Balance at the beginning of the period	62,933	(83,415)
Movement during the period	<u>(90,455)</u>	<u>146,348</u>
	<u>(27,522)</u>	<u>62,933</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	(834,763)	(658,270)
Add: Current period loss	<u>(155,484)</u>	<u>(176,493)</u>
Balance carried forward	<u>(990,247)</u>	<u>(834,763)</u>
	<u>(933,225)</u>	<u>(687,286)</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 2016	As at 31 March 2015
Due to holding company and other group companies	1,359,567	1,045,067
Accrued expenses	6,609	11,333
Others	-	4
	<u>1,366,176</u>	<u>1,056,404</u>

2.4 : Short term provisions

	As at 31 March 2016	As at 31 March 2015
Provision for employee benefits	2,659	-
	<u>2,659</u>	<u>-</u>

2.5 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Bank balances		
In current accounts	1,505	1,758
	<u>1,505</u>	<u>1,758</u>

2.6 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
<i>(Unsecured)</i>		
<i>Considered good</i>		
Advances to holding company and other group companies	434,291	367,490
Balances with statutory agencies	1,125	1,276
	<u>435,416</u>	<u>368,765</u>

2.7 : Other Current Assets

	As at 31 March 2016	As at 31 March 2015
Claims Receivable	94	-
	<u>94</u>	<u>-</u>

2.8 : Employee benefits expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	113,434	139,471
	<u>113,434</u>	<u>139,471</u>

2.9 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Travelling and conveyance	1,632	2,724
Bank charges	10	14
Other general expenses	6	6
	<u>1,658</u>	<u>2,744</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)

2.10 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016 (previous year: Nil).

2.11 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	As at 31 March 2016	As at 31 March 2015
i. Interest received from holding company and other group companies:		
OctoShare B.V.	8,722	8,820
OctoPlus Technologies B.V.	11,256	11,422
OctoPlus Sciences B.V.	276	280
ii. Interest paid / payable to holding company and other group companies:		
OctoPlus Development B.V.	28,640	22,546
OctoPlus B.V.	32,006	32,254

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

Particulars	As at 31 March 2016	As at 31 March 2015
i. Due from holding company and other group companies (included in short term loans and advances):		
OctoShare B.V.	187,093	157,971
OctoPlus Technologies B.V.	241,281	204,502
OctoPlus Sciences B.V.	5,917	5,017
ii. Due to holding company and other group companies (included in other current liabilities):		
OctoPlus Development B.V.	673,654	463,551
OctoPlus B.V.	685,913	581,516

2.12 : 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.

2.13 : 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 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: 9 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

Chirotech Technology Limited
Balance Sheet

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

	Note	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,060,004	1,060,004
Reserves and surplus	2.2	(297,365)	(690,525)
		<u>762,639</u>	<u>369,479</u>
Non current liabilities			
Deferred tax liabilities, net	2.17	10,076	6,151
Other long term liabilities	2.4	356	388
		<u>10,432</u>	<u>6,539</u>
Current liabilities			
Trade payables	2.3	22,812	111,455
Other current liabilities	2.4	173,783	233,240
Short term provisions	2.5	10,183	-
		<u>206,778</u>	<u>344,695</u>
	TOTAL	<u>979,849</u>	<u>720,713</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	126,183	107,760
Intangible assets	2.6	-	533
Capital work-in-progress		1,693	15,689
Long term loans and advances	2.7	649	1,247
		<u>128,525</u>	<u>125,229</u>
Current assets			
Inventories	2.8	14,391	10,036
Trade receivables	2.9	419,179	309,207
Cash and bank balances	2.10	139,917	54,574
Short term loans and advances	2.11	91,065	33,685
Other current assets	2.12	186,772	187,982
		<u>851,324</u>	<u>595,484</u>
	TOTAL	<u>979,849</u>	<u>720,713</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 2016

for and on behalf of the Board of Directors

Subir Kohli

Director

M V Narasimham

Director

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 2016	For the year ended 31 March 2015
Income			
Sales, net		576,696	510,108
Service income		685,056	611,428
Other operating revenues		8,925	19,704
Revenue from operations		1,270,677	1,141,240
Other income	2.13	139	102
Total revenue		1,270,816	1,141,342
Expenses			
Cost of material consumed (including packing material consumed)		280,870	134,450
Changes in inventories of finished goods and work-in-progress	2.14	(4,030)	(2,708)
Employee benefits expense	2.15	341,312	384,570
Depreciation and amortisation expense	2.6	23,414	34,324
Other expenses	2.16	171,892	356,303
Total expenses		813,457	906,939
Profit before tax		457,359	234,403
Tax expense			
Current tax		61,708	-
Deferred tax expense / (benefit)		3,817	(1,038)
Profit/ (Loss) for the year		391,834	235,441
Earnings per share			
Basic - Par value GBP 0.10 per share		3.64	2.18
Diluted - Par value GBP 0.10 per share		3.64	2.18
Number of shares used in computing earnings per share			
Basic		107,780,577	107,780,577
Diluted		107,780,577	107,780,577

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: 9 May 2016

M V Narasimham
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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Profit before taxation	457,359	234,403
Adjustments:		
Depreciation and amortisation expense	23,414	34,324
(Profit) / Loss on sale of fixed assets, net	-	(102)
Provision for inventory obsolescence	2,468	(3,562)
Operating cash flows before working capital changes	483,240	265,063
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(103,273)	56,460
Inventories	(6,632)	(3,782)
Trade payables	(95,346)	(187,127)
Other assets and liabilities, net	(111,637)	(111,746)
Cash generated / (used in) from operations	166,352	18,867
Income taxes paid, net	(51,525)	-
Net cash from / (used in) operating activities	114,827	18,867
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(28,463)	(16,568)
Proceeds from sale of tangible and intangible assets	-	102
Net cash used in investing activities	(28,463)	(16,466)
Cash flows from / (used in) financing activities		
Net cash from financing activities	-	-
Net increase in cash and cash equivalents	86,364	2,401
Cash and cash equivalents at the beginning of the year	54,574	56,449
Effect of foreign exchange gain on cash and cash equivalents	(1,021)	(4,276)
Cash and cash equivalents at the end of the year	139,917	54,574
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	139,917	54,574
Cash and bank balances at the end of the year	139,917	54,574

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 2016

for and on behalf of the Board of Directors

Subir Kohli

Director

M V Narasimham

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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	107,780,577	1,060,004
Shares issued during the year	-	-	-	-
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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Foreign currency translation reserve		
Balance at the beginning of the year	(219,981)	(200,479)
Movement during the year	<u>1,326</u>	<u>(19,502)</u>
	<u>(218,655)</u>	<u>(219,981)</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	(1,210,983)	(1,446,424)
Add: Current year profit / (loss)	<u>391,834</u>	<u>235,441</u>
Balance carried forward	<u>(819,149)</u>	<u>(1,210,983)</u>
	<u>(297,365)</u>	<u>(690,525)</u>

Chirotech Technology Limited**Notes to Financial Statements**

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

2.3 : Trade payables

	As at 31 March 2016	As at 31 March 2015
Payables to holding company and other group companies	22,798	92,450
Payables to others	<u>14</u>	<u>19,005</u>
	<u>22,812</u>	<u>111,455</u>

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

	As at 31 March 2016	As at 31 March 2015
Deferred revenue - non current	<u>356</u>	<u>388</u>
	<u>356</u>	<u>388</u>

b) Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Accrued expenses	19,685	32,529
Due to capital creditors	2,576	7,831
Due to statutory authorities	13,904	14,896
Salary and bonus payable	46,550	52,370
Others	<u>91,068</u>	<u>125,614</u>
	<u>173,783</u>	<u>233,240</u>

2.5 : Short term provisions

	As at 31 March 2016	As at 31 March 2015
Income tax payable	<u>10,183</u>	<u>-</u>
	<u>10,183</u>	<u>-</u>

Chirotech Technology Limited

Notes to Financial Statements

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

Note 2 : Notes to financial statements (continued)

2.6 : Fixed assets

Description	Gross Block					Depreciation / Amortization					Net Block	
	As at 01.04.2015	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 01.04.2015	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Lease hold improvements	16,956			551	17,507	15,875			551	16,426	1,081	1,081
Plant and machinery	87,402	1,006		1,926	90,334	49,961	3,227		1,329	54,517	35,817	37,441
Laboratory equipment	101,708	33,554		3,381	138,643	34,940	17,054		618	52,612	86,031	66,768
Furniture and fixtures and office equipment	37,138	3,261		1,497	41,896	34,666	2,564		1,412	38,642	3,254	2,471
Total tangible assets (A)	243,204	37,821	-	7,355	288,380	135,442	22,845	-	3,910	162,197	126,183	107,760
Patents and trademarks	3,248	-	-	344	3,592	2,716	569		307	3,592	-	533
Total intangible assets (B)	3,248	-	-	344	3,592	2,716	569	-	307	3,592	-	533
Total (A+B)	246,452	37,821	-	7,699	291,972	138,158	23,414	-	4,217	165,789	126,183	108,293
Previous year	243,838	24,604	1,626	(20,363)	246,452	117,679	34,324	1,626	(12,218)	138,159	108,293	

Chirotech Technology Limited

Notes to Financial Statements

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

Note 2 : Notes to financial statements (continued)

2.7 : Long term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Capital advances for purchase of fixed assets	-	618
Security deposits	649	629
	649	1,247

2.8 : Inventories

(Valued on weighted average basis)

	As at 31 March 2016	As at 31 March 2015
Raw materials	6,604	6,279
Finished goods	7,787	3,757
	14,391	10,036

2.9 : Trade receivables

	As at 31 March 2016	As at 31 March 2015
Unsecured		
Debts outstanding for a period exceeding six months		
Considered good	11,310	17,912
Other debts		
Considered good	407,869	291,295
	419,179	309,207

2.10 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Cash on hand	17	11
Bank balances		
In current accounts	92,164	54,563
In term deposit accounts	47,736	-
	139,917	54,574

2.11 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Advances to material suppliers	72,785	3,525
Staff loans and advances	1,467	116
Balances with statutory agencies	4,730	10,311
Prepaid expenses	12,083	17,602
Other advances	-	2,131
	91,065	33,685

Chirotech Technology Limited

Notes to Financial Statements

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

Note 2 : Notes to financial statements (continued)

2.12 : Other current assets

	As at 31 March 2016	As at 31 March 2015
<i>Considered good</i>		
Other receivables from holding company and other group companies	185,361	187,982
Claims receivable	1,411	-
	186,772	187,982

2.13 : Other income

	For the year 31 March 2016	For the year 31 March 2015
Profit on sale of fixed assets, net	-	102
Foreign exchange gain, net	139	-
	139	102

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

	For the year ended 31 March 2016	For the year ended 31 March 2015
<i>Opening</i>		
Work-in-process	-	1,049
Finished goods	3,757	-
<i>Closing</i>		
Work-in-process	-	-
Finished goods	7,787	3,757
<i>Net (increase)</i>	(4,030)	(2,708)

2.15 : Employee benefits expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	337,635	380,936
Staff welfare expenses	3,677	3,634
	341,312	384,570

2.16 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Consumption of stores and spare parts and other materials	50,669	62,391
Conversion charges	39,676	39,654
Other research and development expenses	(68,567)	178,224
Legal and professional	11,510	4,357
Carriage outward	1,081	672
Rates and taxes	2,168	3,924
Selling expenses	326	24,977
Repairs and maintenance	35,986	5,871
Power and fuel	15,820	2,485
Travelling and conveyance	9,560	8,449
Communication	3,291	5,416
Rent	67,963	8,642
Insurance	2,399	2,526
Foreign exchange loss, net	-	4,974
Other general expenses	10	3,741
	171,892	356,303

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)

2.17: Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016 (previous year: Nil).

2.18: Deferred taxation

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

Particulars	As at 31 March 2016	As at 31 March 2015
Deferred tax assets / (liabilities)		
Fixed assets	(10,076)	(6,151)
Deferred tax liabilities, net	(10,076)	(6,151)

2.19: Related party disclosures

a. The Company has following related party transactions:

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
i. Sales and services to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	727,953	570,799
Dr. Reddy's Laboratories SA	7,122	41,833
Dr. Reddy's Laboratories (EU) Limited	2,252	9,886
Dr. Reddy's Laboratories Inc.	9,939	1,936
ii. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories (EU) Limited	198,747	137,693
Dr. Reddy's Laboratories Limited	67,019	6,196

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

Particulars	As at 31 March 2016	As at 31 March 2015
i. Due from holding company and other group companies (included in trade receivables and other current assets):		
Dr. Reddy's Laboratories Limited	416,933	282,229
Dr. Reddy's Laboratories (EU) Limited	60,216	60,847
Dr. Reddy's Laboratories Inc.	-	1,912
Dr. Reddy's Laboratories SA	6,961	41,324
ii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	22,798	82,065
Dr. Reddy's Laboratories (EU) Limited	-	10,385

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)

2.20: Comparative figures

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

2.21: The Company, incorporated in the United 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

M V Narasimham

Director

Place: Hyderabad

Date: 9 May 2016

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

Dear Members,

Your Directors present the 16th Board's Report of the Company for the year ended 31 March 2016.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2015-16 as compared to previous financial year:

(Rs. in thousands)

Particulars	31 March 2016	31 March 2015
Profit/(Loss) for the period after taxation	(11,178)	879
Balance brought forward	(155,697)	(156,576)
Balance carried forward to Balance Sheet	(166,875)	(155,697)

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 2016.

Transfer to reserves

No amount is proposed to be transferred to any reserves during the year under the review

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. Hence the relevant disclosure or reporting provisions are not applicable to the Company.

Material Changes and Commitments Affecting the Financial Position of the Company

No material change and commitments affecting the financial position of the Company, has 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 2015, 29 July 2015, 28 October 2015 and 29 January 2016.

Board of Directors and Key Managerial Personnel (KMP)

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.

Declaration given by the Independent Director

In accordance with Section 149(7) of the Companies Act, 2013, 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.

Appointment of Directors and Remuneration Policy

The Nomination and Remuneration Committee of the Board assess candidates for the Board on a combination of parameters. These includes experience, personal and professional stature, domain expertise, specific qualification for the position and his/her independence as defined in Section 149(6) of the Companies Act, 2013. The Committee then places the details of shortlisted candidates to the Board for consideration. If the Board approves, the person gets appointed as an Additional Director, subject to the approval of members in the Company's general meeting.

Board Evaluation

An evaluation of the performance of the Board, its Committees and individual directors was undertaken during the year, on the basis of parameters determined by the Nomination and Remuneration Committee.

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 2015-16 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.

Audit Committee

The Audit Committee comprises of Mr. Saumen Chakraborty as Chairman of the Committee, Mr. Garimella Venkata Rathnam (Independent Director) and Mr. Raghu Cidambi (Independent Director).

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

The 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 the 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.

Related Party Transactions

In accordance with Section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014, the particulars of contract or arrangement entered into by the Company with related parties referred to in Section 188(1) in Form AOC-2 is attached as "Annexure I".

The details of related party disclosures form part of the notes to the financial statements provided in this Annual Report.

Secretarial Audit Report

Pursuant to Section 204 of the Companies Act, 2013 and the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, M/s. R & A Associates, Company Secretaries, Hyderabad, were appointed to conduct the Secretarial Audit of the Company for financial year 2015-16. The Secretarial Audit Report for FY2016 is attached as “**Annexure II**” 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. A. Ramachandra Rao & Co., Chartered Accountants, as Statutory Auditors of your Company from the conclusion of the ensuing 16th AGM till the conclusion of 17th AGM, for ratification by the shareholders.

Board’s response on auditor’s qualification, reservation or adverse remark or disclaimer made

There are no qualifications, reservations or adverse remarks made by the Statutory Auditors in their report . During the year, there were no instances of frauds reported by auditors under section 143(12) of the Companies Act, 2013.

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

Since the Company did not have any operations during the year, 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 attached as ‘**Annexure III**’ 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 10, 2016

Saumen Chakraborty
Director

FORM NO. AOC – 2

(Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto**1. Details of contracts or arrangements or transactions not at arm's length basis:**

(a)	Name(s) of the related party and nature of relationship	Not Applicable
(b)	Nature of contracts/arrangements/transactions	
(c)	Duration of the contracts/arrangements/ transactions	
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
(e)	Justification for entering into such contracts or arrangements or transactions	
(f)	Date(s) of approval by the Board	
(g)	Amount paid as advances, if any	
(h)	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	

2. Details of material contracts or arrangement or transactions at arm's length basis:

(a)	Names(s) of the related party and nature of relationship	Dr. Reddy's Laboratories Limited – Holding Company
(b)	Nature of contracts/arrangements/ transactions	Due to holding company (included in long term borrowings and other current liabilities)
(c)	Duration of the contracts/arrangements transactions	Ongoing.
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Refer Note 2.12 of the Notes to Financial Statements.
(e)	Date(s) of approval by the Board, if any	-
(f)	Amount paid as advances, if any	-

For and on behalf of the Board of Directors**K Satish Reddy**
Director**Saumen Chakraborty**
Director**Venkatanarasimham Mannam**
Chief Financial Officer**Sudipta V**
Company Secretary

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

As on the financial year ended on 31 March, 2016

[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-Jun-00
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 ACTIVITES 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	54,022,070	54,022,070	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	54,022,070	54,022,070	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	54,022,070	54,022,070	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									
(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	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	54,022,070	54,022,070 (*)	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	54,022,070	100	0	54,022,070	100	0	0
		54,022,070	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	54,022,070	100	54,022,070	100
Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase/ decrease (e.g. allotment/	No Change			
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)	01.04.2015	10	0	0	0	10	0
		31.03.2016	10	0	0	0	10	0
2	Mr. Saumen Chakraborty (Director)	01.04.2015	10	0	0	0	10	0
		31.03.2016	10	0	0	0	10	0
3	Mr. Raghu Cidambi (Independent Director)	01.04.2015	0	0	0	0	0	0
		31.03.2016	0	0	0	0	0	0
4	Mr. Garimella Venkata Rathnam	01.04.2015	0	0	0	0	0	0
		31.03.2016	0	0	0	0	0	0
B. KEY MANAGEMENT PERSONNEL (KMPs)								
5	Mr. Venkatanarasimham Mannam	01.04.2015	0	0	0	0	0	0
		31.03.2016	10	0	0	0	10	0
6	Mr. V Viswanath (Chief Executive Officer)	01.04.2015	0	0	0	0	0	0
		31.03.2016	0	0	0	0	0	0
7	Ms. Sudipta V (Company Secretary)	01.04.2015	0	0	0	0	0	0
		31.03.2016	0	0	0	0	0	0

* 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

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year (April 1, 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
Change in Indebtedness during the financial year				
Addition	-	-	-	-
Reduction	-	-	-	-
Net Change	-	-	-	-
Indebtedness at the end of the financial year (March 31, 2016)				
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	-	-	-	-
	(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	-	-	-	-
	Total	-	-	-	-

(*) 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 Ltd**, which comprise the Balance Sheet as at March 31, 2016, and the Statement of Profit and Loss for the year ended on that date annexed thereto and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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 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; and design, implementation and maintenance of 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. 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;

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2016;
- b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- 1 As required by the Companies (Auditor's Report) Order, 2016 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 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 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, 2016, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
 - f) As required under clause (i), a separate report on the internal financial controls is annexed in Annexure-B herewith.
 - g) With respect to the other matters included in the Auditor's Report 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: 10 May 2016

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 been physically verified by the management during the year and no material discrepancies were noticed on such verification;
c) The title deeds of immovable properties of the company are held in the name of the company.
- ii. The company does not have any inventories and hence, in our opinion, clauses 4(ii) of the Order is not applicable to the company.
- iii. Based on the information provided to us, the company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 hence, in our opinion, the Clause 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable to the company for the year.
- iv. Based on the information provided to us, the company has not given any loan, guarantee, nor provided any security in connection with a loan and hence, in our opinion, the clause 3(iv) of the Order is not applicable to the company during the year.
- 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. In our opinion and according to the information and explanations given to us, the Central Government has not prescribed maintenance of Cost Records under Section 148(1) of the Companies Act, 2013 and hence clause 3(vi) of the Order is not applicable to the Company.
- vii. (a) According to the records of the company, the company is regular in depositing the undisputed statutory dues including income-tax, service tax, cess with the appropriate authorities;
(b) According to the information and explanations given to us, there are no dues of income tax, service tax, cess to be deposited on account of any dispute and hence, clause 3(vii)(b) of the Order is not applicable to the company during the year.
- viii. Based on the information provided and explanation given to us, the company has not taken any loans from banks, financial institutions, Government nor are there any debentures outstanding as at the year end and hence clause 4(viii) of the Order is not applicable to the company for the year.
- ix. According to the information and explanations given to us, the Company has not taken any term loans nor has raised any monies by way of IPO/FPO during the year and hence clause 4(iv) of the Order is not applicable to the Company for the year.

- x. 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.
- xi. The provisions of section 197 read with Schedule V to the Companies Act,2013 regarding overall maximum managerial remuneration to be paid are not applicable and hence the clause 3(xi) is not applicable to the company.
- xii. The Company is not a Nidhi Company as per section 406 of the Companies Act,2013. So clause 3(xii) of the Order is not applicable to the company.
- xiii. All transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards;
- xiv. The company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, clause 3(xiv)of the Order is not applicable to the company during the year.
- xv. As per the information given to us, the company has not entered into any non-cash transactions with directors or persons connected with them during the year under review and so, clause 3(xv) of the Order is not applicable to the company during the year.
- xvi. The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and so, clause (xvi) is not applicable to this company.

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

A. Ramachandra Rao
Partner
Membership No. : 9750

Place: Hyderabad
Date: 10 May 2016

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF

Ref: Dr. Reddy's Bio-Sciences Limited

[Re : Clause 2(f) of the Independent Auditors Report]

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of M/s **Dr. Reddy's Bio-Sciences Limited**, as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on, the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

A. Ramachandra Rao
Partner
Membership No. : 9750

Place: Hyderabad
Date: 10 May 2016

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 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	540,221	540,221
Reserves and surplus	2.2	(166,875)	(155,697)
		<u>373,346</u>	<u>384,524</u>
Non current liabilities			
Long term borrowings	2.3	485	485
Deferred tax liabilities, net		141	-
		<u>626</u>	<u>485</u>
Current liabilities			
Other current liabilities	2.4	82,890	82,878
		<u>82,890</u>	<u>82,878</u>
	TOTAL	<u>456,862</u>	<u>467,887</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	441,147	273,504
Long term loans and advances	2.6	179	184,179
		<u>441,326</u>	<u>457,683</u>
Current assets			
Cash and bank balances	2.7	8,237	10,204
Short term loans and advances			
Other current assets		7,299	-
		<u>15,536</u>	<u>10,204</u>
	TOTAL	<u>456,862</u>	<u>467,887</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

K Satish Reddy
Director**Saumen Chakraborty**
DirectorA Ramachandra Rao
Partner
Membership No. 9750**Venkatanarasimham Mannam**
Chief Financial Officer**Sudipta V**
Company SecretaryPlace: Hyderabad
Date: 10 May 2016

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 2016	For the year ended 31 March 2015
Income			
Other income	2.8	8,307	1,790
Total revenue		8,307	1,790
Expenses			
Other expenses	2.9	19,344	911
Total expenses		19,344	911
Profit/(Loss) before tax		(11,037)	879
Tax expense			-
Current tax		-	-
Deferred tax		141	-
Profit/(Loss) for the year		(11,178)	879
Earnings per share	2.11		
Basic - Par value ₹ 10/- per share		(0.21)	0.02
Diluted - Par value ₹ 10/- per share		(0.21)	0.02
Number of shares used in computing earnings per share			
Basic		54,022,070	54,022,070
Diluted		54,022,070	54,022,070

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

K Satish Reddy
Director**Saumen Chakraborty**
DirectorA Ramachandra Rao
Partner
Membership No. 9750**Venkatanarasimham Mannam**
Chief Financial Officer**Sudipta V**
Company SecretaryPlace: Hyderabad
Date: 10 May 2016

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 2016	For the year ended 31 March 2015
Cash flow from operating activities		
Profit/(Loss) for the year	(11,037)	879
Adjustments:		
Depreciation	19,297	204
(Profit)/Loss on sale of fixed assets, net	(8,307)	(1,790)
Other expenses	-	-
Operating profit before working capital changes	<u>(47)</u>	<u>(707)</u>
<i>Changes in operating assets and liabilities</i>		
Other assets & liabilities	(7,287)	(988)
Cash generated from/(used in) Operations	<u>(7,334)</u>	<u>(1,695)</u>
Income tax paid	(0)	(179)
Net cash used in operating activities	<u>(7,334)</u>	<u>(1,874)</u>
Cash flows from/(used in) investing activities		
Purchase of fixed assets	5,367	(190,017)
Interest received	-	1,790
Net cash used in investing activities	<u>5,367</u>	<u>(188,227)</u>
Cash flows from/(used in) financing activities		
Proceeds from issue of shares	-	200,000
Net cash from financing activities	<u>-</u>	<u>200,000</u>
Net increase/(decrease) in cash & bank balances	(1,967)	9,899
Cash & bank balances at the beginning of the year	10,204	305
Cash & bank balances at the end of the year	<u><u>8,237</u></u>	<u><u>10,204</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

K Satish Reddy
Director**Saumen Chakraborty**
DirectorA Ramachandra Rao
Partner
Membership No.: 9750**Venkatanarasimham Mannam**
Chief Financial Officer**Sudipta V**
Company SecretaryPlace: Hyderabad
Date: 10 May 2016

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 2016	As at 31 March 2015
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 : 54,022,070) equity shares of ₹ 10/- each fully paid up	540,221	540,221
	<u>540,221</u>	<u>540,221</u>
Subscribed and paid-up		
54,022,070 (previous year : 54,022,070) equity shares of ₹ 10/- each fully paid up	540,221	540,221
	<u>540,221</u>	<u>540,221</u>

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

Particulars	As at 31 March 2016		As at 31 March 2015	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	54,022,070	540,221	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	54,022,070	540,221

(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 2016		As at 31 March 2015	
	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	54,022,070	100

2.2 : Reserves and surplus

	As at 31 March 2016	As at 31 March 2015
Deficit		
Balance at the beginning of the year	(155,697)	(156,576)
Add: Current year Profit/(Loss)	(11,178)	879
Balance carried forward	<u>(166,875)</u>	<u>(155,697)</u>

2.3 : Long term borrowings

	As at 31 March 2016	As at 31 March 2015
Unsecured		
Long term borrowings from holding company	485	485
	<u>485</u>	<u>485</u>

2.4 : Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Due to holding company	69,216	69,216
Others	13,674	13,662
	<u>82,890</u>	<u>82,878</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 01.04.2015	Additions	Deletions	As at 31.03.2016	As at 01.04.2015	For the year	Deletions	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Land	267,800	-	3,992	263,808	-	-	-	-	263,808	267,800
Buildings	6,112	190,932	-	197,044	407	19,296.91	-	19,704.37	177,339.298	5,704
Total tangible assets	273,912	190,932	3,992	460,851	407	19,297	-	19,704	441,147	273,504
Previous year	267,895	6,017		273,912	204	204		408	273,504	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 2016	As at 31 March 2015
Capital Advances	-	184,000
Advance income tax	179	179
	179	184,179

2.7 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Bank balances		
In current accounts	8,237	10,204
	8,237	10,204

2.8 : Other Income

	For the year ended 31 March 2016	For the year ended 31 March 2015
Profit on sale of fixed assets, net	8,307	-
Interest income	-	1,790
	8,307	1,790

2.9 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Rates and taxes	-	500
Legal and professional	29	195
Auditors' remuneration	11	11
Bank charges	7	1
Depreciation	19,297	204
	19,344	911

2.10 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016 (previous year: Nil).

2.11 : Earnings per share

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Gain/(Loss) for the year	(11,178)	879
Shares:		
Weighted average number of equity shares outstanding during the year - Basic	54,022,070	50,898,782
Weighted average number of equity shares outstanding during the year - Diluted	54,022,070	50,898,782
Basic Earnings/(Loss) in ₹ per share	(0.21)	0.02
Diluted Earnings/(Loss) in ₹ per share	(0.21)	0.02

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)

2.12 : Related party transaction

a. The company has the following related party transactions:

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
i. Operating and other expenses paid / payable to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	-	500

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

Particulars	As at 31 March 2016	As at 31 March 2015
i. Due to holding company (included in long term borrowings and other current liabilities):		
Dr. Reddy's Laboratories Limited	69,701	69,701

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: 10 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

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 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	785,183	633,545
Reserves and surplus	2.2	(1,032,112)	(1,032,025)
		<u>(246,929)</u>	<u>(398,480)</u>
Non current liabilities			
Long term borrowings	2.3	320,496	302,333
Other long term liabilities	2.4	-	85,963
		<u>320,496</u>	<u>388,296</u>
Current liabilities			
Trade payables	2.5	-	44,755
Other current liabilities	2.4	17,066	25,073
Short term provisions	2.6	2,113	2,827
		<u>19,179</u>	<u>72,655</u>
	TOTAL	<u>92,746</u>	<u>62,471</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	20,779	4,841
Deferred tax assets, net	2.20	-	19,539
Long term loans and advances	2.8	1,350	1,407
		<u>22,129</u>	<u>25,787</u>
Current assets			
Inventories	2.9	1,772	4,216
Trade receivables	2.10	976	3,857
Cash and bank balances	2.11	53,706	21,187
Short term loans and advances	2.12	1,370	7,424
Other current assets	2.13	12,793	-
		<u>70,617</u>	<u>36,684</u>
	TOTAL	<u>92,746</u>	<u>62,471</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao

Partner

Membership No. 9750

Jobelino Vitoriano Locateli

Director

Place: Hyderabad

Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Income			
Sales, net		33,182	44,769
Service income		51,316	26,863
License fees		69,222	25,082
Other operating revenues		2,025	220
Revenue from operations		155,745	96,934
Other income	2.14	161	186
Total revenue		155,906	97,120
Expenses			
Cost of material consumed (including packing material consumed)		7,583	35,269
Changes in inventories of stock-in-trade	2.15	2,444	(2,884)
Employee benefits expense	2.16	55,676	39,165
Depreciation expense	2.7	2,554	1,553
Other expenses	2.17	69,404	44,336
Total expenses		137,661	117,439
Profit /(Loss) before tax		18,245	(20,319)
Tax expense			
Current tax		-	3,897
Deferred tax		18,332	7,675
Loss for the year		(87)	(31,891)
Earnings per share			
Basic - Par value BRL 1 per share		(0.00)	(1.19)
Diluted - Par value BRL 1 per share		(0.00)	(1.19)

Number of shares used in computing earnings per share

Basic	31,990,353	26,699,230
Diluted	31,990,353	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: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Profit/(Loss) before taxation	18,245	(20,319)
Adjustments:		
Depreciation and amortisation expense	2,554	1,553
Foreign exchange gain, net	(3,088)	(14,868)
Interest income	(161)	(186)
Provision / (reversal of provision) for doubtful debts, net	(54)	-
Operating cash flows before working capital changes	17,496	(33,820)
<i>Changes in operating assets and liabilities</i>		
Trade receivables	2,765	1,520
Inventories	2,444	(2,884)
Trade payables	(39,088)	30,476
Other assets and liabilities, net	(96,927)	26,563
Cash generated from / (used in) operations	(113,310)	21,855
Income taxes paid, net	(599)	307
Net cash from / (used in) operating activities	(113,909)	22,162
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(18,492)	(3,584)
Interest received	161	186
Net cash used in investing activities	(18,331)	(3,398)
Cash flows from / (used in) financing activities		
Proceeds from issuance of share capital	151,638	-
Proceeds from long term borrowings, net	23,871	-
Net cash used in financing activities	175,509	-
Net increase / (decrease) in cash and cash equivalents	43,269	18,764
Cash and cash equivalents at the beginning of the year	21,187	9,269
Effect of foreign exchange loss on cash and cash equivalents	(10,750)	(6,846)
Cash and cash equivalents at the end of the year	53,706	21,187
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	53,706	21,187
Other bank balances	-	-
Cash and bank balances at the end of the year	53,706	21,187

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao

Partner

Membership No. 9750

Jobelino Vitoriano Locateli

Director

Place: Hyderabad

Date: 9 May 2016

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 2016	As at 31 March 2015
Authorised		
34,614,230 (previous year : 26,699,230) equity shares of BRL 1 each	<u>785,183</u>	<u>633,545</u>
Issued		
34,614,230 (previous year : 26,699,230) equity shares of BRL 1 each	<u>785,183</u>	<u>633,545</u>
Subscribed and paid-up		
34,614,230 (previous year : 26,699,230) equity shares of BRL 1 each	<u>785,183</u>	<u>633,545</u>
	<u>785,183</u>	<u>633,545</u>

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

Particulars	As at 31 March 2016		As at 31 March 2015	
	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	7,915,000	151,638	-	-
Number of shares outstanding at the end of the year	34,614,230	785,183	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 2016		As at 31 March 2015	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Dr. Reddy's Laboratories Limited	34,614,230	100	26,699,230	100

2.2 : Reserves and surplus

	As at 31 March 2016	As at 31 March 2015
Deficit		
Balance at the beginning of the year	(1,032,025)	(1,000,134)
Add: Current year loss	<u>(87)</u>	<u>(31,891)</u>
	<u>(1,032,112)</u>	<u>(1,032,025)</u>

2.3 : Long term borrowings

	As at 31 March 2016	As at 31 March 2015
Borrowings from holding company and other group companies	<u>320,496</u>	<u>302,333</u>
	<u>320,496</u>	<u>302,333</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)

2.4 : Other liabilities

	As at 31 March 2016	As at 31 March 2015
a) Other long term liabilities		
Deferred revenue - non current	-	85,963
	<u>-</u>	<u>85,963</u>

b) Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Accrued expenses	9,678	11,426
Salary and bonus payable	2,373	307
Due to statutory authorities	2,133	1,299
Others	2,882	12,041
	<u>17,066</u>	<u>25,073</u>

2.5 : Trade payables

	As at 31 March 2016	As at 31 March 2015
Payables to holding company and other group companies	-	44,755
	<u>-</u>	<u>44,755</u>

2.6 : Short term provisions

	As at 31 March 2016	As at 31 March 2015
Income tax payable	2,113	2,827
	<u>2,113</u>	<u>2,827</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 01.4.2015	Additions	Deletions	As at 31.03.2016	As at 01.4.2015	For the year	Deletions	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Plant and machinery	40,283	18,492	-	58,775	35,442	2,554	-	37,996	20,779	4,841
Total	40,283	18,492	-	58,775	35,442	2,554	-	37,996	20,779	4,841
Previous year	36,699	3,584	-	40,283	33,889	1,553	-	35,442	4,841	

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 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Security deposits	1,350	1,407
	<u>1,350</u>	<u>1,407</u>

2.9 : Inventories

(Valued on weighted average basis)

	As at 31 March 2016	As at 31 March 2015
Stock-in-trade	1,772	4,216
	<u>1,772</u>	<u>4,216</u>

2.10 : Trade receivables

	As at 31 March 2016	As at 31 March 2015
Unsecured		
Debts outstanding for a period exceeding six months		
Considered good	148	3,857
Considered doubtful	28,473	29,740
Receivables from holding company and other group companies	828	-
	<u>29,449</u>	<u>33,597</u>
<i>Less : Provision for doubtful debts</i>	<u>(28,473)</u>	<u>(29,740)</u>
	<u>976</u>	<u>3,857</u>

2.11 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Cash on hand	34	50
Bank balances		
In current accounts	53,672	21,137
	<u>53,706</u>	<u>21,187</u>

2.12 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Advances to material suppliers	438	-
Staff loans and advances	31	260
Balances with statutory authorities	1	1
Prepaid expenses	382	227
Other advances	518	6,936
	<u>1,370</u>	<u>7,424</u>

2.13 : Other current assets

	As at 31 March 2016	As at 31 March 2015
<i>Considered good</i>		
Other receivables from holding company and other group companies	9,656	-
Other current assets	3,137	-
	<u>12,793</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)

2.14 : Other income

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest income	161	186
	<u>161</u>	<u>186</u>

2.15 : Changes in inventories of stock-in-trade

	As at 31 March 2016	As at 31 March 2015
<i>Opening</i>		
Stock-in-trade	4,216	1,332
<i>Closing</i>		
Stock-in-trade	1,772	4,216
<i>Net (increase) / decrease</i>	<u>2,444</u>	<u>(2,884)</u>

2.16 : Employee benefits expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	32,084	22,681
Staff welfare expenses	23,592	16,484
	<u>55,676</u>	<u>39,165</u>

2.17 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Legal and professional	11,994	9,701
Rates and taxes	2,473	53
Selling expenses	10,351	5,486
Travelling and conveyance	3,901	2,454
Communication	1,340	1,313
Rent	4,144	5,745
Insurance	529	355
Foreign exchange loss, net	21,746	12,025
Provision / (reversal of provision) for doubtful debts, net	(54)	-
Other general expenses	12,980	7,204
	<u>69,404</u>	<u>44,336</u>

2.18 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016 (previous year: Nil).

Dr. Reddy's Farmaceutica Do Brasil Ltda.**Notes to Financial Statements**

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

Note 2: Notes to financial statements (continued)**2.19 : Deferred taxation**

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

Particulars	As at	
	31 March 2016	31 March 2015
Deferred tax assets / (liabilities)		
Current liabilities	-	19,539
Deferred tax asset, net	-	19,539

2.20 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended	
	31 March 2016	31 March 2015
i. Sales and services rendered to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	52,825	27,146
ii. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	3,883	32,532

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

Particulars	As at	
	31 March 2016	31 March 2015
i. Due from holding company and other group companies (included in other current assets):		
Dr. Reddy's Laboratories Limited	9,656	-
ii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	-	44,755
iii. Due to holding company and other group companies (included in long term borrowings):		
Dr. Reddy's Laboratories Limited	320,496	302,333
iv. Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's Laboratories Limited	828	-

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 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: 9 May 2016

10.14

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

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 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	35,126	35,126
Reserves and surplus	2.2	<u>(495,890)</u>	<u>(352,402)</u>
		<u>(460,764)</u>	<u>(317,276)</u>
Non current liabilities			
Long term borrowings	2.3	717,242	658,277
Other long term liabilities		<u>3,830</u>	<u>-</u>
		<u>721,072</u>	<u>658,277</u>
Current liabilities			
Trade payables	2.4	128,614	362,519
Other current liabilities	2.5	41,821	43,952
Short term provisions	2.6	<u>6,654</u>	<u>4,681</u>
		<u>177,089</u>	<u>411,152</u>
	TOTAL	<u>437,397</u>	<u>752,153</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	15,459	9,430
Deferred tax assets, net		2,183	94,446
Long term loans and advances	2.8	<u>1,659</u>	<u>1,772</u>
		<u>19,301</u>	<u>105,648</u>
Current assets			
Inventories	2.9	184,688	251,436
Trade receivables	2.10	146,317	319,973
Cash and bank balances	2.11	34,912	64,728
Short term loans and advances	2.12	27,474	10,368
Other current assets	2.13	<u>24,705</u>	<u>-</u>
		<u>418,096</u>	<u>646,505</u>
	TOTAL	<u>437,397</u>	<u>752,153</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 2016

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 2016	For the year ended 31 March 2015
Income			
Sales, net		577,293	702,308
Other operating revenues		1,958	6,033
Revenue from operations		<u>579,251</u>	<u>708,341</u>
Other income	2.14	301	103,970
Total revenue		<u>579,552</u>	<u>812,311</u>
Expenses			
Purchase of stock-in-trade (traded goods)		235,837	356,248
Changes in inventories of stock-in-trade	2.15	66,748	(24,793)
Employee benefits expense	2.16	133,664	171,125
Finance costs	2.17	28,655	31,713
Depreciation and amortisation expense	2.7	2,393	1,066
Other expenses	2.18	165,857	209,591
Total expenses		<u>633,154</u>	<u>744,950</u>
Profit/(Loss) before tax		(53,602)	67,361
Tax expense			
Deferred tax expense/(benefit)		89,886	(11,627)
Profit/(Loss) for the year		<u>(143,488)</u>	<u>78,988</u>
Earnings per share			
Basic - Par value AUD 1 per share		(143.49)	78.99
Diluted - Par value AUD 1 per share		(143.49)	78.99
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: 9 May 2016

for and on behalf of the Board of Directors

M V Narasimham

Director

Abhijit Mukherjee

Director

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 2016	For the year ended 31 March 2015
Cash flows from operating activities		
(Loss) / Profit before taxation	(53,602)	67,361
Adjustments:		
Depreciation and amortisation expense	2,393	1,066
Foreign exchange loss / (gain), net	47,469	(89,206)
Interest income	(301)	(532)
Finance costs	28,655	31,713
Operating cash flows before working capital changes	24,614	10,402
<i>Changes in operating assets and liabilities</i>		
Trade receivables	185,928	(140,215)
Inventories	66,748	(24,793)
Trade payables	(245,748)	163,909
Other assets and liabilities, net	(38,570)	24,014
Cash generated from / (used in) operations	(7,028)	33,316
Income taxes paid, net	-	-
Net cash from / (used in) operating activities	(7,028)	33,316
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(8,423)	(10,382)
Interest received	301	532
Net cash from / (used in) investing activities	(8,122)	(9,850)
Cash flows from / (used in) financing activities		
Repayment of long term borrowings, net	(17,444)	-
Interest paid	-	(3,181)
Net cash used in financing activities	(17,444)	(3,181)
Net increase / (decrease) in cash and cash equivalents	(32,594)	20,285
Cash and cash equivalents at the beginning of the year	64,728	54,306
Effect of foreign exchange gain/(loss) on cash and cash equivalents	2,778	(9,863)
Cash and cash equivalents at the end of the year	34,912	64,728
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	34,912	64,728
Cash and bank balances at the end of the year	34,912	64,728

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 2016

for and on behalf of the Board of Directors

M V Narasimham

Director

Abhijit Mukherjee

Director

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
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	(354,197)	(433,185)
Add: Current year profit	<u>(143,488)</u>	<u>78,988</u>
Balance carried forward	<u>(497,685)</u>	<u>(354,197)</u>
	<u>(495,890)</u>	<u>(352,402)</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 2016	As at 31 March 2015
Borrowings from holding company and other group companies	717,242	658,277
	<u>717,242</u>	<u>658,277</u>

2.4 : Trade payables

	As at 31 March 2016	As at 31 March 2015
Payables to holding company and other group companies	116,587	318,534
Payables to others	12,027	43,985
	<u>128,614</u>	<u>362,519</u>

2.5 : Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Accrued expenses	26,864	29,441
Due to statutory authorities	3,202	3,593
Others	11,755	10,918
	<u>41,821</u>	<u>43,952</u>

2.6 : Short term provisions

	As at 31 March 2016	As at 31 March 2015
Provision for employee benefits	6,654	4,681
	<u>6,654</u>	<u>4,681</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 01.4.2015	Additions	Deletions	As at 31.03.2016	As at 01.4.2015	For the year	Deletions	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Furniture and Fixtures & Office equipment	12,281	8,422	-	20,703	2,851	2,393	-	5,244	15,459	9,430
Total tangible assets (A)	12,281	8,422	-	20,703	2,851	2,393	-	5,244	15,459	9,430
Goodwill	1,779	-	-	1,779	1,779	-	-	1,779	-	-
Total intangible assets (B)	1,779	-	-	1,779	1,779	-	-	1,779	-	-
TOTAL (A+B)	14,060	8,422	-	22,482	4,630	2,393	-	7,023	15,459	9,430
Previous year	3,735	10,382	57	14,060	3,621	1,066	57	4,630	9,430	

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 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Security deposits	1,659	1,772
	<u>1,659</u>	<u>1,772</u>

2.9 : Inventories
(Valued on weighted average basis)

	As at 31 March 2016	As at 31 March 2015
Stock-in-trade	184,688	251,436
	<u>184,688</u>	<u>251,436</u>

2.10 : Trade receivables

	As at 31 March 2016	As at 31 March 2015
Unsecured		
Other debts		
Considered good	146,317	319,973
	<u>146,317</u>	<u>319,973</u>

2.11 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Cash on hand	31	22
Bank balances		
In current accounts	34,881	64,706
	<u>34,912</u>	<u>64,728</u>

2.12 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Balances with statutory agencies	18,939	297
Staff loans and advances	729	428
Prepaid expenses	7,662	9,552
Other advances	144	91
	<u>27,474</u>	<u>10,368</u>

2.13 : Other Current Assets

Other receivables from holding company and other group companies	24,705	-
	<u>24,705</u>	<u>-</u>

2.14 : Other income

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest income	301	532
Foreign exchange gain, net	-	103,438
	<u>301</u>	<u>103,970</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)

2.15 : Changes in inventories of stock-in-trade

	For the year ended 31 March 2016	For the year ended 31 March 2015
<i>Opening</i>		
Stock-in-trade	251,436	226,643
<i>Closing</i>		
Stock-in-trade	184,688	251,436
<i>Net (increase)/decrease</i>	<u><u>66,748</u></u>	<u><u>(24,793)</u></u>

2.16 : Employee benefits expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	124,441	159,850
Contribution to provident and other funds	9,223	11,275
	<u><u>133,664</u></u>	<u><u>171,125</u></u>

2.17 : Finance costs

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest expenses	28,655	31,713
	<u><u>28,655</u></u>	<u><u>31,713</u></u>

2.18 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Legal and professional	8,427	13,651
Selling expenses	20,015	102,834
Travelling and conveyance	8,147	12,308
Communication	2,747	4,001
Rent	9,337	11,459
Foreign exchange loss, net	52,871	-
Other general expenses	64,313	65,338
	<u><u>165,857</u></u>	<u><u>209,591</u></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)

2.19: Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016 (previous year: Nil).

2.20: Deferred taxation

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

Particulars	As at 31 March 2016	As at 31 March 2015
Deferred tax assets / (liabilities)		
Inventories	-	9,826
Losses carry forward	-	76,654
Fixed assets	2,183	2,246
Other current liabilities	-	5,720
Deferred tax asset, net	2,183	94,446

2.21: Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
i. Interest paid to holding company and other group companies:		
Dr. Reddy's Laboratories SA	28,655	31,713
ii. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	143,839	206,170
Dr. Reddy's New Zealand Limited	-	17,602
Promius Pharma LLC	6,632	11,182
Dr. Reddy's Laboratories SA	17,990	-
iii. Sales to holding company and other group companies:		
Dr. Reddy's New Zealand Limited	-	8,065
iv. Operating expenses paid / payable by holding company and other group companies:		
Promius Pharma LLC	22,302	10,377

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

Particulars	As at 31 March 2016	As at 31 March 2015
i. Due from holding company and other group companies (included in other current assets):		
Dr. Reddy's New Zealand Limited	2,403	-
Promius Pharma LLC	22,302	-
ii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	98,313	288,685
Promius Pharma LLC	-	12,196
Dr. Reddy's New Zealand Limited	-	17,654
Dr. Reddy's Laboratories SA	18,274	-
iii. Due to holding company and other group companies (included in long term borrowings):		
Dr. Reddy's Laboratories SA	717,242	658,277
iv. Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's Laboratories Limited	802	-

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)

2.22: 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 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

A Ramachandra Rao
Partner
Membership No. 9750

M V Narasimham
Director

Abhijit Mukherjee
Director

Place: Hyderabad
Date: 9 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

Dr. Reddy's Laboratories (Canada) Inc.**Balance Sheet**

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

	Note	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	6	6
Reserves and surplus	2.2	(46,387)	(45,222)
		<u>(46,381)</u>	<u>(45,216)</u>
Non current liabilities			
Long term borrowings	2.3	26,859	24,960
		<u>26,859</u>	<u>24,960</u>
Current liabilities			
Trade payables	2.4	111,118	48,108
Other current liabilities	2.5	13,760	10,021
Short term provisions	2.6	1,506	313
		<u>126,384</u>	<u>58,442</u>
	TOTAL	<u>106,863</u>	<u>38,186</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	1,555	1,890
Long term loans and advances	2.8	353	338
		<u>1,908</u>	<u>2,228</u>
Current assets			
Inventories	2.9	69,191	4,333
Trade receivables	2.10	10,378	5,208
Cash and bank balances	2.11	20,959	25,555
Short term loans and advances	2.12	4,427	862
		<u>104,955</u>	<u>35,958</u>
	TOTAL	<u>106,863</u>	<u>38,186</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 2016

for and on behalf of the Board of Directors

Viswanatha R. Bonthu

Director

Saumen Chakraborty

Director

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 year ended 31 March 2016	For the year ended 31 March 2015
Income			
Sales, net		78,474	54,880
Revenue from operations		<u>78,474</u>	<u>54,880</u>
Other income	2.13	-	5,403
Total revenue		<u>78,474</u>	<u>60,283</u>
Expenses			
Purchase of stock-in-trade (traded goods)		60,342	38,331
Changes in inventories of stock-in-trade	2.14	(64,858)	10,007
Employee benefits expense	2.15	53,203	37,174
Finance costs	2.16	762	477
Depreciation expense	2.7	430	272
Other expenses	2.17	29,759	53,100
Total expenses		<u>79,639</u>	<u>139,361</u>
Loss before tax		<u>(1,165)</u>	<u>(79,078)</u>
Tax expense		-	-
Loss for the period		<u>(1,165)</u>	<u>(79,078)</u>
Earnings per share			
Basic - Par value CAD 1 per share		(11,647.67)	(790,780.00)
Diluted - Par value CAD 1 per share		(11,647.67)	(790,780.00)
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

Viswanatha R. Bonthu

Director

A Ramachandra Rao

Partner

Membership No. 9750

Saumen Chakraborty

Director

Place: Hyderabad

Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Loss before taxation	(1,165)	(79,078)
Adjustments:		
Depreciation and amortisation expense	430	272
Foreign exchange loss / (gain), net	2,993	(5,726)
Allowance for sales returns	1,130	345
Finance costs	762	477
(Reversal of)/Provision made for inventory obsolescence, net	(6,588)	21,666
Provision for doubtful advances, net	37	-
Operating cash flows before working capital changes	(2,400)	(62,044)
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(4,815)	(5,714)
Inventories	(58,270)	(11,659)
Trade payables	59,890	38,569
Other assets and liabilities, net	(248)	6,787
Cash generated used in operations	(5,843)	(34,061)
Income taxes paid, net	-	-
Net cash used in operating activities	(5,843)	(34,061)
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(95)	(20)
Net cash used in investing activities	(95)	(20)
Cash flows from / (used in) financing activities		
Proceeds from long term borrowings, net	-	27,871
Net cash from financing activities	-	27,871
Net increase / (decrease) in cash and cash equivalents	(5,938)	(6,210)
Cash and cash equivalents at the beginning of the year	25,555	34,550
Effect of foreign exchange gain/(loss) on cash and cash equivalents	1,342	(2,786)
Cash and cash equivalents at the end of the year	20,959	25,555
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	20,959	25,555
Other bank balances	-	-
Cash and bank balances at the end of the year	20,959	25,555

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 2016

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 2016	As at 31 March 2015
Authorised		
100 equity shares (previous year : 100) of CAD 1 each	6	6
Issued		
100 equity shares (previous year : 100) of CAD 1 each	6	6
Subscribed and paid-up		
100 equity shares (previous year : 100) of CAD 1 each	6	6

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

Particulars	As at 31 March 2016		As at 31 March 2015	
	No. of equity shares	Amount	No of equity shares	Amount
Number of shares outstanding at the beginning of the year	100	6	100	6
Add: Shares issued during the year	-	-	-	-
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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Securities premium account		
Balance at the beginning of the period	58,047	58,047
Movement during the period	-	-
	58,047	58,047
Deficit		
Balance at the beginning of the period	(103,269)	(24,191)
Add: Current period loss	(1,165)	(79,078)
Balance carried forward	(104,434)	(103,269)
	(46,387)	(45,222)

2.3 : Long term borrowings

	As at 31 March 2016	As at 31 March 2015
Borrowings from holding company and other group companies	26,859	24,960
	26,859	24,960

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**2.4 : Trade payables**

	As at 31 March 2016	As at 31 March 2015
Payables to holding company and other group companies	111,081	48,108
Payables to others	37	-
	<u>111,118</u>	<u>48,108</u>

2.5 : Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Due to holding company and other group companies	2,030	580
Accrued expenses	8,222	5,892
Salary and bonus payable	2,884	3,350
Other current liabilities	624	199
	<u>13,760</u>	<u>10,021</u>

2.6 : Short term provisions

	As at 31 March 2016	As at 31 March 2015
Allowance for sales returns	1,506	313
	<u>1,506</u>	<u>313</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 1.04.2015	Additions	As at 31.03.2016	As at 1.04.2015	For the year	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Office Equipment	207	95	302	108	68	176	126	99
Plant and Machinery	2,017	-	2,017	226	362	588	1,429	1,791
TOTAL	2,224	95	2,319	334	430	764	1,555	1,890
Previous Year	187	2,037	2,224	62	272	334	1,890	

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 2016	As at 31 March 2015
Security deposits	353	338
	<u>353</u>	<u>338</u>

2.9 : Inventories

	As at 31 March 2016	As at 31 March 2015
Stock-in-trade	69,191	4,333
	<u>69,191</u>	<u>4,333</u>

2.10 : Trade receivables

	As at 31 March 2016	As at 31 March 2015
Unsecured		
Other debts		
Considered good	10,378	5,208
	<u>10,378</u>	<u>5,208</u>

2.11 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Bank balances		
In current accounts	20,959	25,555
	<u>20,959</u>	<u>25,555</u>

2.12 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
Considered good		
Prepaid expenses	214	-
Balances with Statutory Agencies	3,912	-
Other advances	301	862
Considered doubtful		
Other advances recoverable in cash or kind or for a value to be received	37	-
Less: Provision for doubtful loans & advances	(37)	-
	<u>4,427</u>	<u>862</u>

2.13 : Other income

	For the year ended 31 March 2016	For the year ended 31 March 2015
Foreign exchange gain, net	-	5,403
	<u>-</u>	<u>5,403</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 year ended 31 March 2016	For the year ended 31 March 2015
<i>Opening</i>		
Stock-in-trade	4,333	14,340
<i>Closing</i>		
Stock-in-trade	69,191	4,333
<i>Net (increase)/decrease</i>	<u>(64,858)</u>	<u>10,007</u>
2.15 : Employee benefits expense	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	51,231	35,466
Contribution to provident and other funds	997	537
Staff welfare expenses	975	1,171
	<u>53,203</u>	<u>37,174</u>
2.16 : Finance costs	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest expenses	762	477
	<u>762</u>	<u>477</u>
2.17 : Other expenses	For the year ended 31 March 2016	For the year ended 31 March 2015
Legal and professional	3,407	7,169
Rates and taxes	(3,632)	4,895
Repairs and maintenance		
Plant and machinery	8	148
Foreign exchange loss, net	2,860	-
Communication	324	39
Other selling expenses	5,558	3,959
Travelling and conveyance	5,233	4,028
Rent	2,583	2,739
Carriage outward	1,332	-
Provision for doubtful advances	37	-
Other general expenses	12,049	30,123
	<u>29,759</u>	<u>53,100</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)**2.18: Commitments and contingent liabilities**

There were no commitments or contingent liabilities as at 31 March 2016 (previous year: Nil).

2.19: Related party disclosures

a. The Company has following related party transactions:

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
i. Purchases and services from holding and other group companies:		
Dr. Reddy's Laboratories SA	15,398	18,698
Dr. Reddy's Laboratories Limited	44,173	21,022
ii. Interest paid / payable to holding company and other group companies:		
Dr. Reddy's Laboratories SA	762	477

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

Particulars	As at 31 March 2016	As at 31 March 2015
i. Due to holding company and other group companies (included in long term borrowings):		
Dr. Reddy's Laboratories SA	26,859	24,960
ii. Due to holding company and other group companies (included in other current liabilities):		
Dr. Reddy's Laboratories Inc.	2,030	580
iii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories SA	46,217	29,473
Dr. Reddy's Laboratories Limited	64,864	18,636

2.20: Comparative figures

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

2.21: The Company, incorporated in 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
DirectorA Ramachandra Rao
Partner
Membership No. 9750**Saumen Chakraborty**
DirectorPlace: Hyderabad
Date: 9 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

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 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	7,231	7,231
Reserves and surplus	2.2	18,515	6,237
		<u>25,746</u>	<u>13,468</u>
Non current liabilities			
Long term borrowings	2.3	-	9,716
Deferred tax liabilities, net		11	-
Long term provisions	2.4	551	534
		<u>562</u>	<u>10,250</u>
Current liabilities			
Trade payables	2.5	521	349
Other current liabilities	2.6	1,666	1,788
Short term provisions	2.7	1,068	258
		<u>3,255</u>	<u>2,395</u>
	TOTAL	<u>29,563</u>	<u>26,113</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.8	5,518	5,626
Intangible assets	2.8	299	285
Capital work-in-progress		425	481
Non current investments	2.9	13,398	13,398
Deferred tax assets, net		-	401
Long term loans and advances	2.10	2	8
Other non current assets	2.11	551	534
		<u>20,193</u>	<u>20,733</u>
Current assets			
Inventories	2.12	1,905	1,197
Trade receivables	2.13	3,652	1,570
Cash and bank balances	2.14	3,414	1,875
Short term loans and advances	2.15	395	691
Other current assets	2.16	4	47
		<u>9,370</u>	<u>5,380</u>
	TOTAL	<u>29,563</u>	<u>26,113</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 2016

for and on behalf of the Board of Directors

Subir Kohli

Director

M V Narasimham

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 2016	For the year ended 31 March 2015
Income			
Sales, net		17,660	7,755
Service income		166	167
Other operating revenues	2.17	569	668
Revenue from operations		18,395	8,590
Other income	2.18	6,562	1
Total revenue		24,957	8,591
Expenses			
Cost of material consumed (including packing material consumed)		3,325	892
Changes in inventories of finished goods and work-in-progress	2.19	(668)	272
Conversion charges		296	-
Employee benefits expense	2.20	3,742	3,760
Finance costs	2.21	73	189
Depreciation and amortization expense	2.8	1,026	968
Other expenses	2.22	2,873	4,764
Total expenses		10,667	10,845
Profit/(Loss) before tax		14,290	(2,254)
Tax expense			
Current tax		1,383	-
Deferred tax expense / (benefit)		176	(267)
Profit/(Loss) for the year		12,731	(1,987)
Earnings per share			
Basic - Par value GBP 1 per share		139.41	(21.76)
Diluted - Par value GBP 1 per share		139.41	(21.76)
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

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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

M V Narasimham

Director

Place: Hyderabad

Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Profit/(loss) before taxation	14,290	(2,254)
Adjustments:		
Depreciation and amortisation expense	1,026	968
Allowance for sales returns	-	5
Dividend income from subsidiary	(6,464)	-
Finance costs	73	189
Loss / (Profit) on sale of fixed assets, net	31	(1)
Provision for inventory obsolescence	243	510
Operating cash flows before working capital changes	9,199	(583)
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(2,157)	1,267
Inventories	(935)	(132)
Trade payables	158	(819)
Other assets and liabilities, net	319	217
Cash generated from / (used in) operations	6,584	(50)
Income taxes paid, net	(288)	(9)
Net cash from / (used in) operating activities	6,296	(59)
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(697)	(488)
Proceeds from sale of tangible and intangible assets	-	3
Dividend income from subsidiary	6,464	-
Net cash used in investing activities	5,767	(485)
Cash flows from / (used in) financing activities		
(Repayment of) / proceeds from long term borrowings, net	(10,453)	485
Interest paid	(81)	(180)
Net cash from financing activities	(10,534)	305
Net increase / (decrease) in cash and cash equivalents	1,529	(239)
Cash and cash equivalents at the beginning of the year	1,875	2,265
Effect of foreign exchange gain/(loss) on cash and cash equivalents	10	(151)
Cash and cash equivalents at the end of the year	3,414	1,875
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	3,414	1,875
Other bank balances	-	-
Cash and bank balances at the end of the year	3,414	1,875

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

M V Narasimham

Director

Place: Hyderabad

Date: 9 May 2016

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

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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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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 2016		As at 31 March 2015	
	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

(Year Ended 31 March)

Particulars	2016	2015	2014	2013
Ordinary Shares of GBP 1 each	-	-	-	1362

2.2 : Reserves and surplus

	As at 31 March 2016	As at 31 March 2015
Foreign currency translation reserve		
Balance at the beginning of the year	3,841	3,866
Movement during the year	<u>(453)</u>	<u>(25)</u>
	<u>3,388</u>	<u>3,841</u>
Surplus		
Balance at the beginning of the year	2,396	4,383
Add: Current year profit / (loss)	<u>12,731</u>	<u>(1,987)</u>
Balance carried forward	<u>15,127</u>	<u>2,396</u>
	<u>18,515</u>	<u>6,237</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 2016	As at 31 March 2015
Borrowings from holding company and other group companies	-	2,318
Long term loan from bank	-	7,398
	<u>-</u>	<u>9,716</u>

2.4 : Long term provisions

	As at 31 March 2016	As at 31 March 2015
Other provisions	551	534
	<u>551</u>	<u>534</u>

2.5 : Trade payables

	As at 31 March 2016	As at 31 March 2015
Payables to holding company and other group companies	168	306
Payables to others	353	43
	<u>521</u>	<u>349</u>

2.6 Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Due to capital creditors	87	74
Accrued expenses	485	651
Salaries and bonus payable	267	283
Interest Accrued but not due	-	8
Due to holding company and other group companies	594	618
Others	233	154
	<u>1,666</u>	<u>1,788</u>

2.7 : Short term provisions

	As at 31 March 2016	As at 31 March 2015
Income tax payable	1,068	258
	<u>1,068</u>	<u>258</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 01.04.2015	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 01.04.2015	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Land	647	-	-	21	668	-	-	-	-	-	668	647
Building	1,219	-	-	40	1,259	580	83	-	16	679	580	639
Plant and machinery	8,903	639	144	313	9,711	4,646	799	113	178	5,510	4,201	4,257
Office equipment	215	16	-	7	238	132	33	-	4	169	69	83
Total tangible assets (A)	10,984	655	144	381	11,876	5,358	915	113	198	6,358	5,518	5,626
Goodwill	1,306			28	1,334	1,021	92		19	1,132	202	285
Intangibles	3,814	116		135	4,065	3,814	19		135	3,968	97	-
Total intangible assets (B)	5,120	116	-	163	5,399	4,835	111	-	154	5,100	299	285
Total (A+B)	16,104	770	144	544	17,274	10,193	1,026	113	351	11,458	5,817	5,911
Previous year	17,084	304	17	(1,267)	16,104	10,032	968	15	(792)	10,193	5,911	

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 2016	As at 31 March 2015
<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 2016	As at 31 March 2015
<i>Considered good</i>		
Capital Advance	-	4
Security deposits	2	4
	<u>2</u>	<u>8</u>

2.11 : Other non current assets

Others	As at 31 March 2016	As at 31 March 2015
	551	534
	<u>551</u>	<u>534</u>

2.12 : Inventories

(Valued on weighted average basis)

Raw materials	As at 31 March 2016	As at 31 March 2015
Raw materials	78	18
Work-in-progress	1,323	906
Finished goods	474	223
Packing materials	30	50
	<u>1,905</u>	<u>1,197</u>

2.13 : Trade receivables

Unsecured	As at 31 March 2016	As at 31 March 2015
Other debts		
Considered good	3,652	1,570
	<u>3,652</u>	<u>1,570</u>

2.14 : Cash and bank balances

Bank balances	As at 31 March 2016	As at 31 March 2015
In current accounts	663	1,875
In term deposit accounts	2,751	-
	<u>3,414</u>	<u>1,875</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

Unsecured	As at 31 March 2016	As at 31 March 2015
<i>Considered good</i>		
Balances with statutory agencies	313	285
Prepaid expenses	78	69
Advances to material suppliers	1	334
Other advances	3	3
	<u><u>395</u></u>	<u><u>691</u></u>

2.16 : Other current assets

<i>Considered good</i>	As at 31 March 2016	As at 31 March 2015
Other receivables from holding company and other group companies	3	46
Other current assets	1	1
	<u><u>4</u></u>	<u><u>47</u></u>

2.17 : Other operating revenue

	For the year ended 31 March 2016	For the year ended 31 March 2015
Royalty income	18	646
Miscellaneous income	551	22
	<u><u>569</u></u>	<u><u>668</u></u>

2.18 : Other income

	For the year ended 31 March 2016	For the year ended 31 March 2015
Dividend Income	6,464	-
Foreign exchange gain, net	96	-
Interest Income	2	-
Profit on sale of fixed assets, net	-	1
	<u><u>6,562</u></u>	<u><u>1</u></u>

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

	For the year ended 31 March 2016	For the year ended 31 March 2015
<i>Opening</i>		
Work-in-progress	906	671
Finished goods	223	730
	<u>1,129</u>	<u>1,401</u>
<i>Closing</i>		
Work-in-progress	1,323	906
Finished goods	474	223
	<u>1,797</u>	<u>1,129</u>
<i>Net increase</i>	<u><u>(668)</u></u>	<u><u>272</u></u>

2.20 : Employee benefits expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	3,595	3,585
Staff welfare expenses	147	175
	<u><u>3,742</u></u>	<u><u>3,760</u></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 2016	For the year ended 31 March 2015
Interest expenses	73	189
	<u>73</u>	<u>189</u>

2.22 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Consumption of stores and spare parts	103	106
Other research and development expenses	275	1,942
Legal and professional	105	115
Loss on sale of fixed assets, net	31	-
Carriage outward	54	60
Rates and taxes	202	165
Selling expenses	68	179
Repairs and maintenance		
Buildings	29	39
Plant and machinery	287	321
Others	755	598
Power and fuel	669	714
Travelling and conveyance	33	40
Communication	21	25
Rent	50	43
Insurance	70	75
Foreign exchange loss, net	-	66
Other general expenses	121	276
	<u>2,873</u>	<u>4,764</u>

2.24 : Commitments and contingent liabilities

The commitments or contingent liabilities as at 31 March 2016 is ₹ 2 (previous year: Nil).

2.25 : Deferred taxation

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

Particulars	As at 31 March 2016	As at 31 March 2015
Deferred tax assets / (liabilities)		
Inventories	-	204
Current liabilities	131	274
Fixed assets	(142)	(77)
Deferred tax asset/(liability), net	<u>(11)</u>	<u>401</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)

2.26: Related party disclosures

a. The Company has following related party transactions:

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
i. Other operating revenues from holding company and other group companies:		
Dr. Reddy's Laboratories SA	551	645
Industrias Quimicas Falcon de Mexico S.A. de CV	-	9
ii. Sales and services to holding company and other group companies:		
Chirotech Technology Limited	1,987	1,377
Dr. Reddy's Laboratories Limited	1,930	262
Dr. Reddys Laboratories Inc.	143	514
iii. Purchases and services from holding company and other group companies:		
Chirotech Technology Limited	-	99
Dr. Reddy's Laboratories Limited	354	142
Industrias Quimicas Falcon de Mexico S.A. de CV	31	362
iv. Operating expenses paid / payable to holding company and other group companies:		
Chirotech Technology Limited	22	-
v. Interest expense paid / payable to holding company and other group companies:		
Dr. Reddy's Laboratories (UK) Limited	45	9
vi. Guarantee commission paid / payable to holding company and other group companies:		
Dr. Reddy's Laboratories SA	4	25

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

Particulars	As at 31 March 2016	As at 31 March 2015
i. Due from holding company and other group companies (included in other current assets):		
Industrias Quimicas Falcon de Mexico S.A. de CV	3	46
ii. Due from holding company and other group companies (included in trade receivables):		
Chirotech Technology Limited	-	104
Dr. Reddy's Laboratories SA	165	149
Dr. Reddy's Laboratories Limited	65	-

Dr. Reddy's Laboratories (EU) Limited**Notes to Financial Statements**

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

Note 2: Notes to financial statements (continued)

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

Particulars	As at	As at
	31 March 2016	31 March 2015
iii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	130	141
Chirotech Technology Limited	9	-
Industrias Quimicas Falcon de Mexico S.A. de CV	29	166
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	594	608
Dr. Reddy's Laboratories Limited	-	4
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

M V Narasimham
Director

Place: Hyderabad

Date: 9 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

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 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	-	-
Reserves and surplus	2.2	1,820	1,265
		<u>1,820</u>	<u>1,265</u>
Non current liabilities			
Other long term liabilities	2.3	23	14
		<u>23</u>	<u>14</u>
Current liabilities			
Trade payables	2.4	5,036	4,895
Other current liabilities	2.3	534	1,756
		<u>5,570</u>	<u>6,651</u>
	TOTAL	<u><u>7,413</u></u>	<u><u>7,930</u></u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	197	269
Intangible assets	2.5	9	4
Deferred tax assets, net	2.17	14	51
Long term loans and advances	2.6	323	120
		<u>543</u>	<u>444</u>
Current assets			
Inventories	2.7	2,858	2,526
Trade receivables	2.8	2,408	2,363
Cash and bank balances	2.9	955	976
Short term loans and advances	2.10	642	1,621
Other current assets		7	-
		<u>6,870</u>	<u>7,486</u>
	TOTAL	<u><u>7,413</u></u>	<u><u>7,930</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

Satish Reddy

Director

Place: Hyderabad

Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Income			
Sales, net		11,630	12,053
License fees		7	68
Revenue from operations		11,637	12,121
Other income	2.11	211	252
Total revenue		11,848	12,373
Expenses			
Purchase of stock-in-trade (traded goods)		5,527	5,188
Changes in inventories of stock-in-trade	2.12	(332)	57
Employee benefits expense	2.13	3,048	3,437
Finance costs	2.14	19	28
Depreciation and amortisation expense	2.6	75	61
Other expenses	2.15	2,801	3,134
Total expenses		11,138	11,905
Profit before tax		710	468
Tax expense			
Current tax		127	79
Deferred tax		28	4
Profit for the year		555	385
Earnings per share			
Basic - Par value Rand 1 per share		554,533.28	385,000.00
Diluted - Par value Rand 1 per share		554,533.28	385,000.00
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

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2016

for and on behalf of the Board of Directors

Saumen Chakraborty

Director

Satish Reddy

Director

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Profit before taxation	710	468
Adjustments:		
Depreciation and amortisation expense	75	61
Foreign exchange gain, net	(175)	(156)
Interest income	(68)	(80)
Finance costs	19	28
Provision for doubtful debts, net	(19)	54
Operating cash flows before working capital changes	542	375
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(333)	(560)
Inventories	(332)	57
Trade payables	779	(200)
Other assets and liabilities, net	(265)	(58)
Cash generated from / (used in) operations	391	(386)
Income taxes paid, net	(330)	(121)
Net cash from / (used in) operating activities	61	(506)
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(8)	(175)
Proceeds from sale of fixed assets	-	-
Interest received	68	80
Net cash used in investing activities	60	(95)
Cash flows from / (used in) financing activities		
Interest paid	(19)	(28)
Net cash used in financing activities	(19)	(28)
Net increase / (decrease) in cash and cash equivalents	102	(629)
Cash and cash equivalents at the beginning of the year	976	1,721
Effect of foreign exchange loss on cash and cash equivalents	(123)	(116)
Cash and cash equivalents at the end of the year	955	976

Notes to the cash flow statement:

Cash and cash equivalents at the end of the year

955

976

Cash and bank balances at the end of the year**955****976**

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

Satish Reddy

Director

Place: Hyderabad

Date: 9 May 2016

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 2016	As at 31 March 2015
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 ₹472 (rounded off in lakhs).

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

Particulars	As at 31 March 2016		As at 31 March 2015	
	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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Surplus		
Balance at the beginning of the year	1,265	880
Add: Current year profit	555	385
	<u>1,820</u>	<u>1,265</u>

Dr. Reddy's Laboratories (Proprietary) Limited**Notes to Financial Statements**

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

2.3 : Other liabilities

	As at 31 March 2016	As at 31 March 2015
a) Other long term liabilities		
Deferred revenue - non current	23	14
	<u>23</u>	<u>14</u>

b) Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Accrued expenses	175	179
Sales and Use tax payable	-	1,434
Others	359	143
	<u>534</u>	<u>1,756</u>

2.4 : Trade payables

	As at 31 March 2016	As at 31 March 2015
Payables to holding company and other group companies	4,725	4,085
Payables to others	311	810
	<u>5,036</u>	<u>4,895</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 01.04.2015	Additions	Deletions	As at 31.03.2016	As at 01.04.2015	For the year	Deletions	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Lease hold improvements	130	-	-	130	47	21	-	68	62	83
Vehicles	68	-	-	68	27	11	-	38	30	41
Furniture and fixtures and office equipment	279	3	-	282	134	43	-	177	105	145
Total tangible assets (A)	477	3	-	480	208	75	-	283	197	269
Intangibles	59	5	-	64	55	-	-	55	9	4
Total intangible assets (B)	59	5	-	64	55	-	-	55	9	4
Total (A+B)	536	8	-	544	263	75	-	338	206	273
Previous year	361	175	-	536	202	61	-	263	273	

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 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Advance tax, net of provision for income taxes	316	112
Security deposits	7	8
	<u>323</u>	<u>120</u>

**2.7 : Inventories
(Valued on weighted average basis)**

	As at 31 March 2016	As at 31 March 2015
Stock-in-trade	2,858	2,526
	<u>2,858</u>	<u>2,526</u>

2.8 : Trade receivables

	As at 31 March 2016	As at 31 March 2015
Unsecured		
Debts outstanding for a period exceeding six months		
Considered good	142	186
Considered doubtful	67	99
Other debts		
Considered good	2,266	2,177
	<u>2,475</u>	<u>2,462</u>
Less : Provision for doubtful debts	(67)	(99)
	<u>2,408</u>	<u>2,363</u>

2.9 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Bank balances		
In current accounts	640	925
In term deposit accounts	315	51
	<u>955</u>	<u>976</u>

2.10 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Advances to material suppliers	33	37
Staff loans and advances	14	14
Prepaid expenses	253	171
Other advances	342	1,399
	<u>642</u>	<u>1,621</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 2016	For the year ended 31 March 2015
Interest income	68	80
Foreign exchange gain, net	143	172
	<u>211</u>	<u>252</u>

2.12 : Changes in inventories of stock-in-trade

	For the year ended 31 March 2016	For the year ended 31 March 2015
<i>Opening</i>		
Stock-in-trade	2,526	2,583
<i>Closing</i>		
Stock-in-trade	2,858	2,526
<i>Net (increase) / decrease in stock</i>	<u>(332)</u>	<u>57</u>

2.13 : Employee benefits expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	3,028	3,364
Staff welfare expenses	20	73
	<u>3,048</u>	<u>3,437</u>

2.14 : Finance costs

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest expenses	19	28
	<u>19</u>	<u>28</u>

2.15 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Legal and professional	82	62
Carriage outward	102	108
Selling expenses	1,889	2,132
Rent	202	185
Insurance	41	41
Provision/(reversal of provision) for doubtful debts, net	(19)	54
Other general expenses	504	552
	<u>2,801</u>	<u>3,134</u>

2.16 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016 (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 2016	As at 31 March 2015
Deferred tax assets / (liabilities)		
Trade receivables	3	9
Inventories	34	26
Current liabilities	(31)	4
Fixed assets	8	12
Deferred tax asset, net	14	51

2.18 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
i. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	5,125	4,839

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

Particulars	As at 31 March 2016	As at 31 March 2015
i. Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's Laboratories Limited	34	22
ii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	4,725	4,085

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: 9 May 2016

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

Saumen Chakraborty

Director

Satish Reddy

Director

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

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 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1	1
Reserves and surplus	2.2	15,153	15,578
		<u>15,154</u>	<u>15,579</u>
Non current liabilities			
Long term borrowings	2.3	2	2
Other long term liabilities	2.4	142	232
		<u>144</u>	<u>234</u>
Current liabilities			
Trade payables	2.5	2,469	3,905
Other current liabilities	2.4	3,658	3,503
Short term provisions	2.6	638	1,128
		<u>6,765</u>	<u>8,536</u>
	TOTAL	<u>22,063</u>	<u>24,349</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	1,388	1,340
Intangible assets		81	187
Capital work-in-progress		158	11
Deferred tax assets, net	2.19	232	213
Long term loans and advances	2.8	-	2,318
		<u>1,859</u>	<u>4,069</u>
Current assets			
Inventories	2.9	4,100	3,516
Trade receivables	2.10	6,866	12,724
Cash and bank balances	2.11	8,988	3,684
Short term loans and advances	2.12	197	339
Other current assets	2.13	53	17
		<u>20,204</u>	<u>20,280</u>
	TOTAL	<u>22,063</u>	<u>24,349</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 2016

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 2016	For the year ended 31 March 2015
Income			
Sales, net		33,028	28,981
License fees		181	395
Other operating revenues		6	5
Revenue from operations		33,215	29,381
Other income	2.14	714	75
Total revenue		33,929	29,456
Expenses			
Purchase of stock-in-trade (traded goods)		18,632	17,457
Changes in inventories of stock-in-trade	2.15	(582)	(1,412)
Employee benefits expense	2.16	3,326	2,864
Depreciation and amortisation expense	2.7	565	360
Other expenses	2.17	4,640	4,145
Total expenses		26,581	23,414
Profit before tax		7,348	6,042
Tax expense			
Current tax		1,401	1,232
Deferred tax expense / (benefit)		(13)	(72)
Profit for the year		5,960	4,882
Earnings per share			
Basic - Par value GBP 1 per share		595,991.17	488,200.00
Diluted - Par value GBP 1 per share		595,991.17	488,200.00
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: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from operating activities		
Profit before taxation	7,348	6,042
Adjustments:		
Depreciation and amortisation expense	565	360
Foreign exchange (gain) / loss, net	(268)	435
Allowance for sales returns	(133)	217
Interest income	(112)	(75)
Provision for inventory obsolescence	250	49
Provision for doubtful debts, net	(5)	4
Operating cash flows before working capital changes	7,645	7,032
<i>Changes in operating assets and liabilities</i>		
Trade receivables	6,433	(8,666)
Inventories	(834)	(1,377)
Trade payables	(1,615)	2,493
Other assets and liabilities, net	46	2,059
Cash generated from operations	11,675	1,541
Income taxes paid, net	(1,784)	(2)
Net cash from operating activities	9,891	1,539
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(640)	(314)
(Increase) / decrease in deposit accounts (having original maturity of more than 3 months) and other bank balances	(5,980)	1,227
Loans and advances repaid by /(given to) holding company and other group companies, net	2,494	(2,461)
Interest received	43	81
Net cash used in investing activities	(4,083)	(1,467)
Cash flows from / (used in) financing activities		
Dividend paid	(6,385)	
Net cash used in financing activities	(6,385)	-
Net increase / (decrease) in cash and cash equivalents	(577)	71
Cash and cash equivalents at the beginning of the year	1,184	1,205
Effect of foreign exchange gain/(loss) on cash and cash equivalents	57	(93)
Cash and cash equivalents at the end of the year	664	1,184
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	664	1,184
Other bank balances	8,324	2,500
Cash and bank balances at the end of the year	8,988	3,684

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

M V Narasimham
Director

Place: Hyderabad
Date: 9 May 2016

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Foreign currency translation reserve		
Balance at the beginning of the year	285	585
Movement during the year	<u>-</u>	<u>(300)</u>
	<u>285</u>	<u>285</u>
Surplus		
Balance at the beginning of the year	15,293	10,411
Add: Current year profit	5,960	4,882
Less: Appropriations	<u>(6,385)</u>	<u>-</u>
Balance carried forward	<u>14,868</u>	<u>15,293</u>
	<u>15,153</u>	<u>15,578</u>

2.3 : Long term borrowings

	As at 31 March 2016	As at 31 March 2015
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 2016	As at 31 March 2015
a) Other long term liabilities		
Deferred revenue - non current	142	232
	<u>142</u>	<u>232</u>

b) Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Due to capital creditors	18	3
Accrued expenses	2,176	1,370
Salary and bonus payable	292	269
Due to statutory authorities	329	1,226
Others	843	635
	<u>3,658</u>	<u>3,503</u>

2.5 : Trade payables

	As at 31 March 2016	As at 31 March 2015
Payables to holding company and other group companies	2,116	2,051
Payables to others	353	1,854
	<u>2,469</u>	<u>3,905</u>

2.6 : Short term provisions

	As at 31 March 2016	As at 31 March 2015
Income tax payable	525	866
Allowance for sales returns	113	262
	<u>638</u>	<u>1,128</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 01.04.2015	Additions	Deletions	As at 31.03.2016	As at 01.04.2015	For the year	Deletions	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Land	152	-	-	152	-	-	-	-	152	152
Building	1,392	381	-	1,773	445	123	-	568	1,205	947
Plant and machinery	2,095	15	-	2,110	1,878	232	-	2,110	-	218
Leasehold improvements	173	-	-	173	173	-	-	173	-	-
Furniture and fixtures and office equipment	475	30	-	505	451	23	-	474	31	24
Total tangible assets (A)	4,287	426	-	4,713	2,947	378	-	3,325	1,388	1,340
Intangibles	601	81	-	682	414	187	-	601	81	187
Total intangible assets (B)	601	81	-	682	414	187	-	601	81	187
Total (A+B)	4,888	507	-	5,395	3,361	565	-	3,926	1,469	1,527
Previous year	4,587	301	-	4,888	3,001	360	-	3,360	1,527	

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 2016	As at 31 March 2015
Unsecured		
Loans and advances to holding company and other group companies	-	2,318
	<u>-</u>	<u>2,318</u>

2.9 : Inventories
(Valued on weighted average basis)

	As at 31 March 2016	As at 31 March 2015
Stock-in-trade (in respect of goods acquired for trading)	3,902	3,320
Packing materials	198	196
	<u>4,100</u>	<u>3,516</u>

2.10 : Trade receivables

	As at 31 March 2016	As at 31 March 2015
Unsecured		
Debts outstanding for a period exceeding six months		
Considered good	203	15
Considered doubtful	62	65
Other debts		
Considered good	6,663	12,709
	<u>6,928</u>	<u>12,789</u>
Less : Provision for doubtful debts	(62)	(65)
	<u>6,866</u>	<u>12,724</u>

2.11 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Cash on hand	1	1
Bank balances		
In current accounts	663	1,183
Cash and cash equivalents (A)	<u>664</u>	<u>1,184</u>
In term deposit accounts (original maturity more than 3 months)	8,324	2,500
Other bank balances (B)	<u>8,324</u>	<u>2,500</u>
Total cash and bank balances (A+B)	<u>8,988</u>	<u>3,684</u>

Dr. Reddy's Laboratories (UK) Limited
Notes to Financial Statements

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

Note 2: Notes to financial statements (continued)

2.12 : Short term loans and advances

Unsecured	As at	As at
<i>Considered good</i>	31 March 2016	31 March 2015
Prepaid expenses	24	24
Advances to material suppliers	159	315
Other advances recoverable in cash or in kind or for value to be received	14	-
	<u>197</u>	<u>339</u>

2.13 : Other current assets

<i>Considered good</i>	As at	As at
	31 March 2016	31 March 2015
Other receivables from holding company and other group companies	12	-
Interest receivable	41	17
	<u>53</u>	<u>17</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 2016	For the year ended 31 March 2015
Interest income	112	75
Foreign exchange gain, net	602	-
	<u>714</u>	<u>75</u>

2.15 : Changes in inventories of stock-in-trade

	For the year ended 31 March 2016	For the year ended 31 March 2015
<i>Opening</i>		
Stock-in-trade	3,320	1,908
<i>Closing</i>		
Stock-in-trade	<u>3,902</u>	<u>3,320</u>
<i>Net increase</i>	<u>(582)</u>	<u>(1,412)</u>

2.16 : Employee benefits expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	3,250	2,827
Staff welfare expenses	76	37
	<u>3,326</u>	<u>2,864</u>

2.17 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Legal and professional	1,145	554
Carriage outward	397	350
Rates and taxes	1,843	1,500
Selling expenses	294	147
Repairs and maintenance		
Plant and machinery	96	120
Others	178	155
Power and fuel	57	51
Travelling and conveyance	208	254
Rent	89	104
Reversal of provision for doubtful debts	(5)	-
Insurance	72	77
Foreign exchange loss, net	-	539
Other general expenses	266	294
	<u>4,640</u>	<u>4,145</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 2016 (previous year: Nil).

2.19 : Deferred taxation

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

Particulars	As at	As at
	31 March 2016	31 March 2015
Deferred tax assets / (liabilities)		
Trade receivables	19	48
Current liabilities	16	11
Fixed assets	198	154
Deferred tax asset, net	232	213

2.20 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended	For the year ended
	31 March 2016	31 March 2015
i. Sales and services rendered to holding company and other group companies:		
betapharma Arzneimittel GmbH	323	576
Dr. Reddy's Laboratories SA	72	28
Dr. Reddy's SRL	3	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	11,608	12,835
Dr. Reddy's Laboratories SA	5	-
Industrias Quimicas Falcon de Mexico SA de CV	193	118
iii. Interest income from holding company and other group companies:		
Dr. Reddy's Laboratories (EU) Ltd.	45	9

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

Particulars	As at	As at
	31 March 2016	31 March 2015
i. Due to holding company and other group companies (included in trade payables and borrowings):		
Dr. Reddy's Laboratories Limited	2,116	2,051
Dr. Reddy's Laboratories (EU) Ltd.	2	-
ii. Due from holding company and other group companies (included in trade receivables and advances):		
betapharma Arzneimittel GmbH	-	123
Dr. Reddy's Laboratories Limited	10	-
Dr. Reddy's Laboratories SA	73	-
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: 9 May 2016

M V Narasimham

Director

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

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 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	5,802	5,802
Reserves and surplus	2.2	91,632	68,551
		97,434	74,353
Non current liabilities			
Other long term liabilities	2.3	2,498	2,540
		2,498	2,540
Current liabilities			
Trade payables	2.4	362,605	346,795
Other current liabilities	2.3	38,752	28,559
Short term provisions	2.5	30,206	25,790
		431,563	401,144
	TOTAL	531,495	478,037
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	5,269	5,391
Intangible assets	2.6	6,359	4,331
Capital work-in-progress		252	841
Non current investments	2.7	48,118	48,118
Deferred tax assets, net		17,720	11,433
Long term loans and advances	2.8	1,132	1,588
Other non current assets	2.13	2,406	1,726
		81,256	73,428
Current assets			
Inventories	2.9	66,556	91,496
Trade receivables	2.10	249,001	213,101
Cash and bank balances	2.11	809	1,454
Short term loans and advances	2.12	1,170	451
Other current assets	2.13	132,703	98,107
		450,239	404,609
	TOTAL	531,495	478,037

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 2016

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 2016	For the year ended 31 March 2015
Income			
Sales, net		756,312	633,131
Service income		875	1,356
License fees		-	195
Other operating revenues		10,904	15,900
Revenue from operations		768,091	650,582
Other income	2.14	6	5
Total revenue		768,097	650,587
Expenses			
Purchase of stock-in-trade (traded goods)		624,498	545,419
Changes in inventories of stock-in-trade	2.15	24,940	2,893
Conversion charges		13,936	9,126
Employee benefits expense	2.16	33,776	31,040
Finance costs	2.17	62	17
Depreciation and amortisation expense	2.6	2,115	1,600
Other expenses	2.18	42,322	47,107
Total expenses		741,649	637,202
Profit before tax		26,448	13,385
Tax expense			
Current tax	2.22	8,925	1,182
Deferred tax benefit		(5,558)	(2,052)
Profit for the year		23,081	14,255
Earnings per share			
Basic - Par value USD 10 per share		1,647.43	1,017.46
Diluted - Par value USD 10 per share		1,647.43	1,017.46
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: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Profit before taxation	26,448	13,385
Adjustments:		
Depreciation and amortisation expense	2,115	1,600
Foreign exchange loss, net	3,958	3,046
Allowance for sales returns	21,204	21,130
Interest income	(6)	(5)
Finance costs	62	17
Impairment of fixed assets	412	-
Provision for inventory obsolescence	581	408
Provision for doubtful debts, net	1,187	160
Provision for doubtful advances, net	-	(85)
Operating cash flows before working capital changes	55,961	39,655
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(24,007)	(72,356)
Inventories	24,358	2,485
Trade payables	(4,965)	83,389
Other assets and liabilities, net	(43,120)	(52,797)
Cash generated from operations	8,227	376
Income taxes paid, net	(6,465)	835
Net cash from operating activities	1,762	1,211
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(2,430)	(2,277)
Purchase of investments	-	(1,232)
Cash paid for acquisition of business units, net of cash acquired	-	(2,763)
Interest received	6	5
Net cash used in investing activities	(2,424)	(6,268)
Cash flows from / (used in) financing activities		
Repayment from long term borrowings, net	-	(1)
Interest paid	(62)	(17)
Net cash used in financing activities	(62)	(18)
Net increase / (decrease) in cash and cash equivalents	(724)	(5,074)
Cash and cash equivalents at the beginning of the year	1,454	6,366
Effect of foreign exchange gain on cash and cash equivalents	79	162
Cash and cash equivalents at the end of the year	809	1,454
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	809	1,454
Other bank balances	-	-
Cash and bank balances at the end of the year	809	1,454

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Satish Reddy

Director

A Ramachandra Rao

Partner

Membership No. 9750

G.V. Prasad

Director

Place: Hyderabad

Date: 9 May 2016

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
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
Movement during the year	<u>-</u>	<u>(554)</u>
	<u>-</u>	<u>-</u>
Surplus		
Balance at the beginning of the year	60,449	46,194
Add: Current year profit	<u>23,081</u>	<u>14,255</u>
Balance carried forward	<u>83,530</u>	<u>60,449</u>
	<u>91,632</u>	<u>68,551</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 2016	As at 31 March 2015
Other long term liabilities	2,498	2,540
	<u>2,498</u>	<u>2,540</u>

b) Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Due to capital creditors	2,012	180
Due to holding company and other group companies	175	1,866
Accrued expenses	10,330	5,892
Salary and bonus payable	5,274	5,219
Due to statutory authorities	71	14
Others	20,890	15,388
	<u>38,752</u>	<u>28,559</u>

2.4 : Trade payables

	As at 31 March 2016	As at 31 March 2015
Payables to holding company and other group companies	359,055	344,992
Payables to others	3,550	1,803
	<u>362,605</u>	<u>346,795</u>

2.5 : Short term provisions

	As at 31 March 2016	As at 31 March 2015
Provision for employee benefits	1	1
Allowance for sales returns	30,205	25,789
	<u>30,206</u>	<u>25,790</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 01.04.2015	Additions	Deletions	As at 31.03.2016	As at 01.04.2015	For the year	Impairment	Deletions	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Lease hold improvements	6,012	220	-	6,232	1,391	541	-	-	1,932	4,300	4,621
Electrical equipment	874	8	-	882	447	170	-	-	617	265	427
Lab Equipment	88	394	-	482	22	135	-	-	157	325	66
Plant & Machinery	133	280	-	413	37	82	-	-	119	294	96
Furniture and fixtures and office equipment	1,216	109	-	1,325	1,053	205	-	-	1,258	67	163
Canteen equipment	19	-	-	19	1	-	-	-	1	18	18
Total tangible assets (A)	8,342	1,011	-	9,353	2,951	1,133	-	-	4,084	5,269	5,391
Goodwill	2,588	-	-	2,588	394	516	-	-	910	1,678	2,194
Other intangibles	2,439	3,422	-	5,861	302	466	412	-	1,180	4,681	2,137
Total intangible assets (B)	5,027	3,422	-	8,449	696	982	412	-	2,090	6,359	4,331
Total (A+B)	13,369	4,433	-	17,802	3,647	2,115	412	-	6,174	11,628	9,722
Previous year	7,491	5,878	-	13,369	2,047	1,600	-	-	3,647	9,722	

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

	As at 31 March 2016	As at 31 March 2015
Non current investments at cost		
<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	3,618	3,618
	<u>48,118</u>	<u>48,118</u>

2.8 : Long term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Advance tax, net of provision for income taxes	543	1,425
Capital advances for purchase of fixed assets	417	-
Security deposits	172	163
	<u>1,132</u>	<u>1,588</u>

2.9 : Inventories

(Valued on weighted average basis)

	As at 31 March 2016	As at 31 March 2015
Stock-in-trade	66,556	91,496
	<u>66,556</u>	<u>91,496</u>

2.10 : Trade receivables

	As at 31 March 2016	As at 31 March 2015
Unsecured		
Debts outstanding for a period exceeding six months		
Considered good	6,273	5,640
Considered doubtful	1,456	252
Other debts		
Considered good	242,728	207,461
	250,457	213,353
Less : Provision for doubtful debts	(1,456)	(252)
	<u>249,001</u>	<u>213,101</u>

2.11 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Cash on hand	2	1
Bank balances		
In current accounts	807	1,453
	<u>809</u>	<u>1,454</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 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Advances to material suppliers	413	84
Staff loans and advances	11	16
Prepaid expenses	651	327
Other advances	95	24
	<u>1,170</u>	<u>451</u>

2.13 : Other assets

	As at 31 March 2016	As at 31 March 2015
A. Non current assets		
Other Non Current Assets	<u>2,406</u>	<u>1,726</u>
	<u>2,406</u>	<u>1,726</u>
B. Current Assets		
<i>Considered good</i>		
Other receivables from holding company and other group companies	132,661	98,091
Other current assets	42	16
	<u>132,703</u>	<u>98,107</u>

2.15 : Other operating revenue

	For the year ended 31 March 2016	For the year end 31 March 2015
Miscellaneous income	<u>10,904</u>	<u>-</u>
	<u>10,904</u>	<u>-</u>

2.14 : Other income

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest income	<u>6</u>	<u>5</u>
	<u>6</u>	<u>5</u>

2.15 : Changes in inventories of stock-in-trade

	For the year ended 31 March 2016	For the year ended 31 March 2015
<i>Opening</i>		
Stock-in-trade	91,496	94,389
<i>Closing</i>		
Stock-in-trade	<u>66,556</u>	<u>91,496</u>
<i>Net increase</i>	<u>24,940</u>	<u>2,893</u>

2.16 : Employee benefits expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	29,464	27,060
Contribution to provident and other funds	1,973	1,990
Staff welfare expenses	2,339	1,990
	<u>33,776</u>	<u>31,040</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 2016	For the year ended 31 March 2015
Interest expenses	62	17
	62	17

2.18 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Legal and professional	4,743	5,867
Rates and taxes	130	166
Selling expenses	14,194	11,686
Other research and development expenses	7,487	12,608
Repairs and maintenance		
Buildings	270	77
Plant and machinery	3	-
Others	-	1
Rent	1,676	1,472
Insurance	607	527
Foreign exchange loss, net	5,022	3,694
Bad debts	-	2
Provision / (reversal of provision) for doubtful debts and advances, net	1,187	73
Other general expenses	7,003	10,934
	42,322	47,107

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 2016 is ₹ 449 (previous year: ₹ 686).

2.20 : Deferred taxation

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

Particulars	As at 31 March 2016	As at 31 March 2015
Deferred tax assets / (liabilities)		
Trade receivables	15,912	10,419
Inventories	586	930
Current liabilities	601	1,045
Current assets	942	(1,416)
Fixed assets	2,517	3,332
Others	(2,838)	(2,877)
Deferred tax asset, net	17,720	11,433

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 2016	For the year ended 31 March 2015
i. Sales and services to holding company and other group companies:		
Aurigene Discovery Technologies Inc.	-	7
Dr. Reddy's Laboratories Limited	15,839	12,653
Dr. Reddy's Laboratories SA	-	2,833
ii. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	422,412	384,954
Dr. Reddy's Laboratories SA, Switzerland	104,331	62,912
Industrias Quimicas Falcon de Mexico S.A. de C.V.	5,998	5,146
Dr. Reddy's Laboratories (EU) Limited	143	514
Dr. Reddy's Laboratories Louisiana LLC	20,495	13,630
Dr. Reddy's Laboratories Tennessee LLC	4,397	14,689
betapharma Arzneimittel GmbH	49,464	50,236
Chirotech Technology Limited	99	19
Promius Pharma LLC	2,538	2,727
iii. Operating and other income received / receivable from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	7,823	-
Dr. Reddy's Laboratories SA	3,073	
Aurigene Discovery Technologies Inc.	8	
iv. Interest expense paid to holding and other group companies:		
Dr. Reddy's Laboratories SA	41	-
v. Operating and other expense paid/payable to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	439	
Dr. Reddy's Laboratories New York, Inc	11	
vi. Royalty paid to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	-	387

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

Particulars	As at 31 March 2016	As at 31 March 2015
i. Due from holding company and other group companies (included in advances and other assets):		
Dr. Reddy's Laboratories Limited	19,729	17,178
Promius Pharma LLC	78,414	61,511
Aurigene Discovery Technologies Inc.	23	20
Dr. Reddy's Laboratories Louisiana LLC	2,793	-
Dr. Reddy's Laboratories New York, Inc	11,867	4,833
Dr. Reddy's Laboratories Tennessee, LLC	16,703	13,415
Dr. Reddy's Laboratories SA	3,112	1,128
Dr. Reddy's Laboratories Canada Inc.	20	6
ii. Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's Laboratories Limited	35	-
iii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	230,795	256,190
Dr. Reddy's Laboratories SA	50,767	43,813
Industrias Quimicas Falcon de Mexico S.A. de C.V.	1,774	-
Dr. Reddy's Laboratories Louisiana LLC	57,194	36,656
Dr. Reddy's Laboratories Tennessee LLC	-	
betapharma Arzneimittel GmbH	18,523	8,348
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	As at
	31 March 2016	31 March 2015
Due to holding and other group companies (included in other current liabilities):		
iv. Dr. Reddy's Laboratories New York, Inc	69	-
Promius Pharma LLC	51	1,863
Dr. Reddy's Laboratories Tennessee LLC	41	
Dr. Reddy's Laboratories Louisiana LLC	13	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: 9 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

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 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	275,120	275,120
Reserves and surplus	2.2	3,008	(211)
		278,128	274,909
Current liabilities			
Other current liabilities	2.3	898	919
Short term provisions	2.4	161	51
		1,059	970
	TOTAL	279,187	275,879
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	2,133	2,331
Non current investments	2.6	225,512	225,512
Long term loans and advances	2.7	42,064	38,598
		269,709	266,441
Current assets			
Cash and bank balances	2.8	9,238	8,001
Short term loans and advances	2.9	13	-
Other current assets	2.10	227	1,437
		9,478	9,438
	TOTAL	279,187	275,879

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

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

ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao

Partner

Membership No. 9750

Satish Reddy

Director

G.V. Prasad

Director

Place: Hyderabad

Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Income			
Other operating revenue		208	1,320
Revenue from operations		208	1,320
Other income	2.11	4,073	3,404
Total revenue		4,281	4,724
Expenses			
Depreciation expense	2.5	198	1,339
Other expenses	2.12	759	501
Total expenses		957	1,840
Profit before tax		3,324	2,884
Tax expense			
Current tax		105	160
Profit for the year		3,219	2,724
Earnings per share			
Basic - Par value CHF 1 per share		0.63	0.53
Diluted - Par value CHF 1 per share		0.63	0.53

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**

A Ramachandra Rao

Partner

Membership No. 9750

Satish Reddy

Director

Place: Hyderabad

Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Profit before taxation	3,324	2,884
Adjustments:		
Depreciation and amortisation expense	198	1,339
Foreign exchange (gain) / loss, net	(3,456)	1,405
Interest income	(622)	(43)
Profit on sale of fixed assets, net	-	(756)
Operating cash flows before working capital changes	(556)	4,829
<i>Changes in operating assets and liabilities</i>		
Other assets and liabilities, net	1,184	3,451
Cash generated / (used in) from operations	628	8,280
Income taxes paid, net	-	(333)
Net cash from / (used in) operating activities	628	7,947
Cash flows from / (used in) investing activities		
Proceeds from sale of tangible and intangible assets	-	34,360
Loans and advances received from/(given to) holding company and other group companies, net	6	(39,519)
Interest received	-	43
Net cash used in investing activities	6	(5,116)
Cash flows from / (used in) financing activities		
Net cash from / (used in) financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	634	2,831
Cash and cash equivalents at the beginning of the year	8,001	5,527
Effect of foreign exchange gain/(loss) on cash and cash equivalents	603	(357)
Cash and cash equivalents at the end of the year	9,238	8,001
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	9,238	8,001
Other bank balances	-	-
Cash and bank balances at the end of the year	9,238	8,001

The accompanying notes are an integral part of financial statements

As per our report of even date attached

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

for and on behalf of the Board of Directors

Satish Reddy
Director

A Ramachandra Rao
Partner
Membership No. 9750

G.V. Prasad
Director

Place: Hyderabad
Date: 9 May 2016

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 2016	As at 31 March 2015
Authorised		
6,900,000 (previous year: 6,900,000) equity shares of CHF 1 each	<u>372,221</u>	<u>372,221</u>
Issued		
5,100,000 (previous year: 5,100,000) equity shares of CHF 1 each	<u>275,120</u>	<u>275,120</u>
Subscribed and paid-up		
5,100,000 (previous year: 5,100,000) equity shares of CHF 1 each	<u>275,120</u>	<u>275,120</u>
	<u>275,120</u>	<u>275,120</u>

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

Particulars	As at 31 March 2016		As at 31 March 2015	
	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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Deficit		
Balance at the beginning of the year	(211)	(2,935)
Add: Current year profit / (loss)	3,219	2,724
	<u>3,008</u>	<u>(211)</u>

2.3 : Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Accrued expenses	898	813
Sales and use tax payable	-	106
	<u>898</u>	<u>919</u>

2.4 : Short term provisions

	As at 31 March 2016	As at 31 March 2015
Income tax payable	161	51
	<u>161</u>	<u>51</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 01.04.2015	Additions	Deletions	As at 31.03.2016	As at 01.04.2015	For the year	Deletions	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Plant and machinery	3,581	-	-	3,581	1,250	198	-	1,448	2,133	2,331
Total tangible assets	3,581	-	-	3,581	1,250	198	-	1,448	2,133	2,331
Previous year	44,095	-	40,514	3,581	6,821	1,339	6,910	1,250	2,331	

Dr. Reddy's Laboratories International SA
Notes to Financial Statements

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

Note 2: Notes to financial statements (continued)

2.6 : Non current investments

Non current investments at cost	As at 31 March 2016	As at 31 March 2015
<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

Unsecured Considered good	As at 31 March 2016	As at 31 March 2015
Loans and advances to holding company and other group companies	42,064	38,598
	<u>42,064</u>	<u>38,598</u>

2.8 : Cash and bank balances

Bank balances	As at 31 March 2016	As at 31 March 2015
In current accounts	9,238	8,001
	<u>9,238</u>	<u>8,001</u>

2.9 : Short term loans and advances

Unsecured Considered good	As at 31 March 2016	As at 31 March 2015
Balances with statutory agencies	13	-
	<u>13</u>	<u>-</u>

2.10 : Other current assets

Other receivables from holding company and other group companies	As at 31 March 2016	As at 31 March 2015
	227	1,437
	<u>227</u>	<u>1,437</u>

2.11 : Other income

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest income	622	43
Foreign exchange gain, net	3,451	2,605
Profit on sale of fixed assets, net	-	756
	<u>4,073</u>	<u>3,404</u>

2.12 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Legal and professional	726	460
Other general expenses	33	41
	<u>759</u>	<u>501</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 2016 (previous year: Nil).

2.14: Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
i. Rental income from holding company and other group companies:		
Dr. Reddy's Laboratories SA	208	1,320
ii. Interest income from holding company and other group companies:		
Dr. Reddy's Laboratories SA	622	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 2016	As at 31 March 2015
i. Due from holding company and other group companies (included in other current assets and loans and advances):		
Dr. Reddy's Laboratories SA	42,291	40,035

2.15: Comparative figures

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

2.16: The Company, incorporated in the Switzerland, is a 100% subsidiary of Dr. Reddy's Laboratories SA.

As per our report of even date attached

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

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

Satish Reddy
 Director

A Ramachandra Rao
Partner
 Membership No. 9750

G.V. Prasad
 Director

Place: Hyderabad
 Date: 9 May 2016

INDEPENDENT AUDITOR'S REPORT

To the Members of **Dr. Reddy's Laboratories Japan KK**

We have audited the accompanying financial statements of **Dr. Reddy's Laboratories Japan KK**, a company incorporated and administered outside India, which comprises the Balance Sheet as at 31 March 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

Dr. Reddy's Laboratories Japan KK
Balance Sheet

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

	Note	As at 31 March 2016
EQUITY AND LIABILITIES		
Shareholders' funds		
Share capital	2.1	13,749
Reserves and surplus	2.2	(768)
		<u>12,981</u>
Current liabilities		
Other current liabilities	2.3	180
		<u>180</u>
	TOTAL	<u><u>13,161</u></u>
ASSETS		
Current assets		
Cash and bank balances	2.4	13,161
		<u>13,161</u>
	TOTAL	<u><u>13,161</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

M V Narasimham

Director

Place: Hyderabad

Date: 9 May 2016

Dr. Reddy's Laboratories Japan KK**Statement of Profit and Loss**

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

	Note	For the period 21 April 2015 to 31 March 2016
Foreign exchange gain, net		1,260
Total revenue		1,260
Expenses		
Employee benefits expense	2.5	880
Other expenses	2.6	1,148
Total expenses		2,028
Loss before tax		(768)
Tax expense		-
Loss for the year		(768)
Earnings per share		
Basic - Par value USD 1 per share		(10.59)
Diluted - Par value USD 1 per share		(10.59)
Number of shares used in computing earnings per share		
Basic		72,492
Diluted		72,492

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: 9 May 2016

Dr. Reddy's Laboratories Japan KK

Cash Flow Statement

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

For the year ended
31 March 2016

Cash flows from / (used in) operating activities	
Loss before taxation	(768)
Adjustments:	
Foreign exchange gain, net	(968)
Operating cash flows before working capital changes	(1,736)
<i>Changes in operating assets and liabilities</i>	
Other assets and liabilities, net	167
Cash used in operations	(1,569)
Income taxes paid, net	-
Net cash used in operating activities	(1,569)
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	13,749
Net cash from financing activities	13,749
Net increase / (decrease) in cash and cash equivalents	12,180
Cash and cash equivalents at the beginning of the year	-
Effect of foreign exchange gain on cash and cash equivalents	981
Cash and cash equivalents at the end of the year	13,161
Notes to the cash flow statement:	
Cash and cash equivalents at the end of the year	13,161
Other bank balances	-
Cash and bank balances at the end of the year	13,161

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

M V Narasimham
Director

Place: Hyderabad

Date: 9 May 2016

Dr. Reddy's Laboratories Japan KK
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 Japan KK
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 2016
Authorised	
254,420 equity shares of JPY 100 each	13,749
Issued	
254,420 equity shares of JPY 100 each	13,749
Subscribed and paid-up	
254,420 equity shares of JPY 100 each	13,749
	13,749

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

Particulars	As at 31 March 2016	
	No. of equity shares	Amount
Number of shares at the beginning of the year	-	-
Shares issued during the year	254,420	13,749
Number of shares outstanding at the end of the year	254,420	13,749

(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 2016	
	No. of equity shares	% of equity shares
Dr. Reddy's Laboratories SA	254,420	100

2.2 : Reserves and surplus

	As at 31 March 2016
Deficit	
Balance as at 21 April 2015	-
Add: Current period loss	(768)
Balance carried forward	(768)

2.3 : Other current liabilities

	As at 31 March 2016
Accrued expenses	180
	180

Dr. Reddy's Laboratories Japan KK
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 2016
Bank balances	
In current accounts	13,161
	<u>13,161</u>

2.5 : Employee benefits expense

Salaries, wages and bonus	880
	<u>880</u>

2.6 : Other expenses

	For the period
	21 April 2015
	to 31 March 2016
Legal and professional	499
Rates and taxes	241
Rent	207
Other general expenses	201
	<u>1,148</u>

2.7 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016

2.8 : The company was incorporated on 21 April,2015. Accordingly, comparative figures are not presented

2.9 : The Company incorporated in Japan, 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

M V Narasimham
Director

Place: Hyderabad
Date: 9 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

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 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	709	709
Reserves and surplus	2.2	4,256	1,383
		4,965	2,092
Current liabilities			
Trade payables	2.3	6,326	9,468
Other current liabilities	2.4	399	271
Short term provisions	2.5	20	17
		6,745	9,756
	TOTAL	11,710	11,848
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	240	267
Intangible assets	2.6	7	8
Capital work-in-progress		11	9
Deferred tax assets, net	2.17	189	697
Long term loans and advances	2.7	161	235
		608	1,216
Current assets			
Inventories	2.8	8,440	8,936
Trade receivables	2.9	2,308	1,298
Cash and bank balances	2.10	263	198
Short term loans and advances	2.11	91	200
		11,102	10,632
	TOTAL	11,710	11,848

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for A Ramachandra Rao & Co.

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao

Partner

Membership No. 9750

M Raja Sarath Chandra

Director

Place: Hyderabad

Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Income			
Sales, net		11,849	10,995
Revenue from operations		11,849	10,995
Other income	2.12	112	157
Total revenue		11,961	11,152
Expenses			
Purchase of stock-in-trade (traded goods)		5,100	1,681
Changes in inventory of stock-in-trade	2.13	496	54
Employee benefits expense	2.14	576	703
Depreciation and amortisation expense	2.6	37	64
Other expenses	2.15	2,125	5,881
Total expenses		8,334	8,383
Profit/(Loss) before tax		3,627	2,769
Tax expense			
Current tax		207	168
Deferred tax expense/(benefit)		547	(290)
Profit for the year		2,873	2,891

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao

Partner

Membership No. 9750

M Raja Sarath Chandra

Director

Place: Hyderabad

Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Profit before taxation	3,627	2,769
Adjustments:		
Depreciation and amortisation expense	37	64
Foreign exchange loss, net	760	2,547
Interest income	(4)	-
Loss on sale of fixed assets, net	1	-
Provision for inventory obsolescence	(830)	2,267
Provision for doubtful debts, net	(9)	806
Operating cash flows before working capital changes	3,582	8,453
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(1,232)	(840)
Inventories	1,326	(2,213)
Trade payables	(3,730)	(6,476)
Other assets and liabilities, net	299	(3)
Cash generated from / (used in) operations	245	(1,079)
Income taxes paid, net	(132)	(207)
Net cash from / (used in) operating activities	113	(1,286)
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(12)	(6)
Proceeds from sale of tangible and intangible assets	-	28
Interest received	4	-
Net cash from / (used in) investing activities	(8)	22
Cash flows from / (used in) financing activities		
Net cash used in financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	105	(1,264)
Cash and cash equivalents at the beginning of the year	198	1,798
Effect of foreign exchange gain on cash and cash equivalents	(40)	(336)
Cash and cash equivalents at the end of the year	263	198
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	263	198
Cash and bank balances at the end of the year	263	198

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

M Raja Sarath Chandra

Director

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2016

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Deficit		
Balance at the beginning of the year	1,383	(1,508)
Add: Current year profit	2,873	2,891
	<u>4,256</u>	<u>1,383</u>

2.3 : Trade payables

	As at 31 March 2016	As at 31 March 2015
Payables to holding company and other group companies	5,552	8,482
Payables to others	774	986
	<u>6,326</u>	<u>9,468</u>

2.4 : Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Accrued expenses	369	252
Others	30	19
	<u>399</u>	<u>271</u>

2.5 : Short term provisions

	As at 31 March 2016	As at 31 March 2015
Provision for employee benefits	20	17
	<u>20</u>	<u>17</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 01.04.2015	Additions	Deletions	As at 31.03.2016	As at 01.04.2015	For the year	Deletions	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Leasehold improvments	168	-	-	168	39	15		54	114	129
Office equipment	256	10	2	264	118	21	1	138	126	138
Total tangible assets (A)	424	10	2	432	157	36	1	192	240	267
Softwares	12	-	-	12	4	1		5	7	8
Total intangible assets (B)	12	-	-	12	4	1	-	5	7	8
Total (A+B)	436	10	2	444	161	37	1	197	247	275
Previous year	458	6	28	436	97	64	-	161	275	

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 2016	As at 31 March 2015
Unsecured		
Advance tax, net of provision for income taxes	154	228
Security deposits	7	7
	161	235

2.8 : Inventories

(Valued on weighted average basis)

	As at 31 March 2016	As at 31 March 2015
Stock-in-trade	8,440	8,936
	8,440	8,936

2.9 : Trade receivables

	As at 31 March 2016	As at 31 March 2015
Unsecured		
Debts outstanding for a period exceeding six months		
Considered doubtful	394	425
Other debts		
Considered good	2,308	1,298
	2,702	1,723
<i>Less</i> : Provision for doubtful debts	(394)	(425)
	2,308	1,298

2.10 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Bank balances		
In current accounts	263	198
	263	198

2.11 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Advances to material suppliers	55	32
Balances with Statutory Agencies	31	159
Staff loans and advances	1	3
Prepaid expenses	4	6
	91	200

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 2016	For the year ended 31 March 2015
Interest income	4	5
Rental income	108	152
	<u>112</u>	<u>157</u>

2.13 : Changes in inventory of stock-in-trade

	For the year ended 31 March 2016	For the year ended 31 March 2015
<i>Opening</i>		
Stock-in-trade	8,936	8,990
<i>Closing</i>		
Stock-in-trade	8,440	8,936
<i>Net decrease</i>	<u>496</u>	<u>54</u>

2.14 : Employee benefits expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	479	570
Contribution to provident and other funds	89	125
Staff welfare expenses	8	8
	<u>576</u>	<u>703</u>

2.15 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Foreign exchange loss, net	1,018	3,945
Bank charges	18	19
Advertisements	286	187
Legal and Professional	24	46
Travelling and conveyance	50	52
Other selling expenses	423	285
Rent	198	283
Rates and taxes	19	37
Loss on sale of assets	1	-
Reversal of Provision for doubtful debts	(9)	806
Others	97	221
	<u>2,125</u>	<u>5,881</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 2016 (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 2016	31 March 2015
Deferred tax assets / (liabilities)		
Losses carry forward	-	292
Provisions	83	104
Fixed assets	5	3
Inventories	101	298
Deferred tax asset, net	189	697

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 2016	31 March 2015
i. Purchases / (goods returned) and services received from holding and other companies within the group:		
Dr. Reddy's Laboratories Limited	1,994	15
Dr. Reddy's Laboratories SA	97	884
ii. Rental income from holding and other companies within the group:		
Dr. Reddy's Laboratories Limited	107	-

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

Particulars	As at	As at
	31 March 2016	31 March 2015
i. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	5,462	7,981
Dr. Reddy's Laboratories SA	90	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: 9 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

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 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital		-	-
Reserves and surplus	2.1	85,614	65,854
		85,614	65,854
Current liabilities			
Trade payables	2.2	1,773	3,558
Other current liabilities	2.3	5,644	2,483
		7,417	6,041
	TOTAL	93,031	71,895
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.4	18,503	19,574
Intangible assets	2.4	760	1,478
Capital work-in-progress		2,223	526
Long term loans and advances	2.5	2,722	296
		24,208	21,874
Current assets			
Inventories	2.6	6,741	6,771
Trade receivables	2.7	60,687	41,584
Cash and bank balances	2.8	436	994
Short term loans and advances	2.9	482	465
Other current assets	2.10	477	207
		68,823	50,021
	TOTAL	93,031	71,895

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

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

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Satish Reddy

Director

A Ramachandra Rao

Partner

Membership No. 9750

G.V. Prasad

Director

Place: Hyderabad

Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Income			
Sales, net		60,312	56,455
Other operating revenues		4	3
Total revenue		60,316	56,458
Expenses			
Cost of material consumed (including packing material consumed)		18,303	15,134
Changes in inventories of finished goods and work-in-progress	2.11	(674)	1,619
Employee benefits expense	2.12	16,232	14,759
Depreciation and amortisation expense	2.4	3,955	2,357
Other expenses	2.13	6,956	6,496
Total expenses		44,772	40,365
Profit before tax		15,544	16,093
Tax expense	2.16	-	-
Profit for the year		15,544	16,093

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Satish Reddy

Director

A Ramachandra Rao

Partner

Membership No. 9750

G.V. Prasad

Director

Place: Hyderabad

Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows / (used in) from operating activities		
Profit before taxation	15,544	16,093
Adjustments:		
Depreciation and amortisation expense	3,955	2,357
Impairment of intangible assets	197	-
Allowance for sales returns	-	1
Loss on sale of fixed assets, net	63	22
Provision for inventory obsolescence	973	1,799
Operating cash flows before working capital changes	20,732	20,272
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(16,406)	(16,580)
Inventories	(542)	(1,837)
Trade payables	(1,974)	2,441
Other assets and liabilities, net	2,695	(469)
Cash generated from operations	4,505	3,827
Income taxes paid, net	-	-
Net cash from operating activities	4,505	3,827
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(5,115)	(3,930)
Proceeds from sale of tangible and intangible assets	-	5
Net cash used in investing activities	(5,115)	(3,925)
Cash flows from / (used in) financing activities		
Net cash from / (used in) financing activities	-	-
Net decrease in cash and cash equivalents	(610)	(98)
Cash and cash equivalents at the beginning of the year	994	1,050
Effect of foreign exchange gain on cash and cash equivalents	52	42
Cash and cash equivalents at the end of the year	436	994
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	436	994
Cash and bank balances at the end of the year	436	994

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Satish Reddy

Director

A Ramachandra Rao

Partner

Membership No. 9750

G.V. Prasad

Director

Place: Hyderabad

Date: 9 May 2016

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.

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 2016	As at 31 March 2015
<i>Foreign currency translation reserve</i>		
Balance at the beginning of the year	10,523	8,127
Movement during the year	4,216	2,396
	<u>14,739</u>	<u>10,523</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	39,127	23,034
Add: Current year profit	15,544	16,093
Balance carried forward	54,671	39,127
	<u>85,614</u>	<u>65,854</u>

2.2 : Trade payables

	As at 31 March 2016	As at 31 March 2015
Payables to holding company and other group companies	884	1,556
Payables to others	889	2,002
	<u>1,773</u>	<u>3,558</u>

2.3 : Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Due to capital creditors	500	324
Salary and bonus payable	1,018	1,208
Accrued expenses	872	666
Due to holding company and other group companies	2,793	-
Others	461	285
	<u>5,644</u>	<u>2,483</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 01.04.2015	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 01.04.2015	For the year	Impairment	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Land	525	-	-	32	557	-	-	-	-	-	-	557	525
Building	7,971	-	-	479	8,450	1,666	347	-	-	101	2,114	6,336	6,305
Plant and machinery	15,529	958	230	938	17,195	5,069	2,685	-	177	310	7,887	9,308	10,460
Electrical equipment	1,347	150	-	86	1,583	208	119	-	-	14	341	1,242	1,139
Laboratory equipment	912	45	1	56	1,012	207	50	-	-	13	270	742	705
Office equipment	350	8	-	22	380	237	56	-	-	16	309	71	113
Furniture and fixtures	733	9	45	44	741	406	98	-	35	25	494	247	327
Vehicles	2	-	-	-	2	2	-	-	-	-	2	-	-
Total tangible assets (A)	27,369	1,170	276	1,657	29,920	7,795	3,355	-	212	479	11,417	18,503	19,574
Customer contract	5,000	-	1,311	286	3,975	4,791	107	197	1,311	191	3,975	-	209
Goodwill	2,364	-	-	142	2,506	1,630	248	-	-	101	1,979	527	734
Patents and trademarks	312	-	-	19	331	312	-	-	-	19	331	-	-
Other intangibles	2,322	-	-	139	2,461	1,787	245	-	-	196	2,228	233	535
Total intangible assets (B)	9,998	-	1,311	586	9,273	8,520	600	197	1,311	507	8,513	760	1,478
Total (A+B)	37,367	1,170	1,587	2,244	39,193	16,315	3,955	197	1,523	986	19,930	19,263	21,052
Previous year	30,889	5,106	73	1,445	37,367	13,377	2,357	-	46	627	16,315	21,052	-

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 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Capital advances for purchase of fixed assets	2,722	296
	2,722	296

2.6 : Inventories

(Valued on weighted average basis)

	As at 31 March 2016	As at 31 March 2015
Raw materials	3,079	3,561
Work-in-progress	1,144	766
Finished goods	1,197	901
Stores and spares	1,008	1,050
Packing materials	313	493
	6,741	6,771

2.7 : Trade receivables

	As at 31 March 2016	As at 31 March 2015
Unsecured		
Other debts		
Considered good	60,687	41,584
	60,687	41,584

2.8 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Bank balances		
In current accounts	436	994
	436	994

2.9 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Advances to material suppliers	214	237
Staff loans and advances	-	4
Prepaid expenses	257	219
Other advances	11	5
	482	465

2.10 : Other current assets

	As at 31 March 2016	As at 31 March 2015
<i>Considered good</i>		
Other receivables from holding company to other group companies	477	207
	477	207

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)

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

	For the year ended 31 March 2016	For the year ended 31 March 2015
<i>Opening</i>		
Work-in-process	766	2,067
Finished goods	901	1,219
	<u>1,667</u>	<u>3,286</u>
<i>Closing</i>		
Work-in-process	1,144	766
Finished goods	1,197	901
	<u>2,341</u>	<u>1,667</u>
<i>Net (increase) / decrease</i>	<u>(674)</u>	<u>1,619</u>

2.12 : Employee benefits expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	11,611	13,939
Contribution to provident and other funds	1,542	360
Staff welfare expenses	3,079	460
	<u>16,232</u>	<u>14,759</u>

2.13 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Consumption of stores and spare parts	230	723
Legal and professional	320	1,164
Rates and taxes	701	681
Selling expenses	4	5
Repairs and maintenance		
Plant and machinery	2,015	1,118
Buildings	5	2
Others	1,987	1,361
Power and fuel	826	821
Rent	43	18
Insurance	211	217
Loss on sale of fixed assets, net	63	22
Other general expenses	551	364
	<u>6,956</u>	<u>6,496</u>

Dr. Reddy's Laboratories Louisiana LLC

Notes to Financial Statements

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

Note 2: Notes to financial statements (continued)

2.14: Commitments and contingent liabilities

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is as on 31 March 2016 `1,166 (previous year: `573).

2.15: Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
i. Sales and services rendered to holding company and other group companies:		
Dr. Reddy's Laboratories Inc.	20,495	13,630
Dr. Reddy's Laboratories Limited	-	27
ii. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	1,384	2,277

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

Particulars	As at 31 March 2016	As at 31 March 2015
i. Due from holding company and other group companies (included in other current assets):		
Dr. Reddy's Laboratories Inc.	13	3
Dr. Reddy's Laboratories Tennessee, LLC	199	188
Promius Pharma LLC	265	16
ii. Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's Laboratories Inc.	57,194	36,656
Dr. Reddy's Laboratories Limited	-	18
iii. Due to holding company and other group companies (included in trade payables and other current liabilities):		
Dr. Reddy's Laboratories Inc.	2,793	-
Dr. Reddy's Laboratories Limited	884	1,556

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)

2.16: The tax expense for the company is computed and presented together with the parent company's (Dr. Reddy's Laboratories Inc.) financial statements as per the tax laws of the United States.

2.17: Comparative figures

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

2.18: The Company, incorporated in USA, is a wholly owned subsidiary of Dr. Reddy's Laboratories Inc.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

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

Satish Reddy

Director

A Ramachandra Rao

Partner

Membership No. 9750

G.V. Prasad

Director

Place: Hyderabad

Date: 9 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

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 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	285	285
Reserves and surplus	2.2	3,317	754,909
		<u>3,602</u>	<u>755,193</u>
Current liabilities			
Trade payables	2.3	37,597	2,901
Other current liabilities	2.4	1,370,312	608,409
Short term provisions	2.5	117	110
		<u>1,408,026</u>	<u>611,420</u>
	TOTAL	<u>1,411,628</u>	<u>1,366,613</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	1,107,673	1,090,982
Intangible assets	2.6	86,961	97,656
Capital work-in-progress		5,653	76,881
Long term loans and advances	2.7	4,706	9,084
Other non current assets	2.10	79,505	-
		<u>1,284,498</u>	<u>1,274,603</u>
Current assets			
Cash and bank balances	2.8	69,528	39,486
Short term loans and advances	2.9	50,677	52,524
Other current assets	2.10	6,925	-
		<u>127,130</u>	<u>92,010</u>
	TOTAL	<u>1,411,628</u>	<u>1,366,613</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 2016

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 2016	For the year ended 31 March 2015
Income			
Other operating revenues		101,658	2,825
Revenue from operations		101,658	2,825
Other income	2.11	324	391
Total revenue		101,982	3,216
Expenses			
Employee benefits expense	2.12	222,861	199,025
Finance costs	2.13	48	42
Depreciation and amortization expense	2.6	151,158	236,494
Other expenses	2.14	515,548	371,121
Total expenses		889,615	806,682
Loss before tax		(787,633)	(803,466)
Tax expense		-	-
Loss for the year		(787,633)	(803,466)
Earnings per share			
Basic - Par value USD 0.10 per share		(31,505.32)	(29,548.11)
Diluted - Par value USD 0.10 per share		(31,505.32)	(29,548.11)
Number of shares used in computing earnings per share			
Basic		25,000	27,192
Diluted		25,000	27,192

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for A Ramachandra Rao & Co.

for and on behalf of the Board of Directors

Chartered Accountants

ICAI FRN : 002857S

G.V. Prasad
DirectorA Ramachandra Rao
Partner
Membership No. 9750**Satish Reddy**
Director

Place: Hyderabad

Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Loss before taxation	(787,633)	(803,466)
Adjustments:		
Depreciation and amortisation expense	151,158	236,494
Interest income	(118)	(293)
Finance costs	48	42
(Profit) / Loss on sale of fixed assets, net	(206)	-
Provision for doubtful advances, net	2,727	919
Operating cash flows before working capital changes	(634,024)	(566,304)
<i>Changes in operating assets and liabilities</i>		
Trade payables	34,108	(44,875)
Other assets and liabilities, net	641,644	497,834
Cash generated used in operations	41,728	(113,345)
Income taxes paid, net	(580)	(1,565)
Net cash used in operating activities	41,148	(114,911)
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(14,086)	(44,681)
Proceeds from sale of fixed assets	206	-
Interest received	118	293
Net cash used in investing activities	(13,762)	(44,388)
Cash flows from / (used in) financing activities		
Proceeds from issuance of share capital	-	168,616
Interest paid	(48)	(42)
Net cash from financing activities	(48)	168,574
Net increase / (decrease) in cash and cash equivalents	27,338	9,276
Cash and cash equivalents at the beginning of the year	39,486	28,762
Effect of foreign exchange gain on cash and cash equivalents	2,704	1,447
Cash and cash equivalents at the end of the year	69,528	39,486
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	69,528	39,486
Cash and bank balances at the end of the year	69,528	39,486

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 2016

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 2016	As at 31 March 2015
Authorised		
75,000 (previous year : 75,000) shares of USD 0.10 each	<u>156</u>	<u>156</u>
Issued		
50,000 (previous year : 50,000) shares of USD 0.10 each	<u>285</u>	<u>285</u>
Subscribed and paid-up		
50,000 (previous year : 50,000) shares of USD 0.10 each	<u>285</u>	<u>285</u>
	<u>285</u>	<u>285</u>

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

Particulars	As at 31 March 2016		As at 31 March 2015	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	50,000	285	25,000	130
Shares issued during the year			25,000	155
Number of shares outstanding at the end of the year	50,000	285	50,000	285

(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 2016		As at 31 March 2015	
	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	10
Dr Reddy's Laboratories SA	45,000	90	45,000	90

2.2 : Reserves and surplus

	As at 31 March 2016	As at 31 March 2015
Foreign currency translation reserve		
Balance at the beginning of the year	176,382	129,529
Movement during the year	<u>36,042</u>	<u>46,853</u>
	<u>212,424</u>	<u>176,382</u>
Securities premium reserve		
Balance at the beginning of the year	2,808,815	1,303,470
Movement during the year	<u>-</u>	<u>1,505,345</u>
	<u>2,808,815</u>	<u>2,808,815</u>
Deficit		
Balance at the beginning of the year	(2,230,289)	(1,426,823)
Add: Current year loss	<u>(787,633)</u>	<u>(803,466)</u>
Balance carried forward	<u>(3,017,922)</u>	<u>(2,230,289)</u>
	<u>3,317</u>	<u>754,909</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)

2.3 : Trade payables

	As at 31 March 2016	As at 31 March 2015
Trade payable	<u>37,597</u>	<u>2,901</u>
	<u>37,597</u>	<u>2,901</u>

2.4 : Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Accrued expenses	113,520	66,729
Due to capital creditors	1,104	9,318
Due to holding company and other group companies	1,186,682	483,298
Others	48,237	27,952
Salary and bonus payable	<u>20,769</u>	<u>21,112</u>
	<u>1,370,312</u>	<u>608,409</u>

2.5 : Short term provisions

	As at 31 March 2016	As at 31 March 2015
Provision for employee benefits	<u>117</u>	<u>110</u>
	<u>117</u>	<u>110</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 01.04.2015	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 01.04.2015	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Building	504,884	38,230	-	30,818	573,932	51,010	34,213		2,532	87,755	486,178	453,874
Plant and machinery	869,525	44,223	-	52,883	966,631	248,007	95,948		13,532	357,487	609,145	621,518
Electrical equipment	19,806	378	-	1,195	21,379	4,602	4,363		208	9,173	12,205	15,204
Furniture and fixtures	788	-	-	47	835	629	92		36	757	78	159
Office equipments	1,152	-	-	69	1,221	925	179		50	1,154	67	227
Total tangible assets (A)	1,396,155	82,831	-	85,012	1,563,998	305,173	134,795	-	16,358	456,326	1,107,673	1,090,982
Intangibles	156,251	-	-	9,388	165,639	58,595	16,363		3,720	78,678	86,961	97,656
Total intangible assets (B)	156,251	-	-	9,388	165,639	58,595	16,363	-	3,720	78,678	86,961	97,656
Total (A+B)	1,552,406	82,831	-	94,400	1,729,637	363,768	151,158	-	20,078	535,003	1,194,634	1,188,639
Previous year	1,488,106	-	-	64,300	1,552,406	116,871	236,494	-	10,403	363,767	1,188,639	

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

	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Capital advances for purchase of fixed assets	657	6,389
Advance tax, net of provision for income taxes	3,456	2,135
Security deposits	593	560
	<u>4,706</u>	<u>9,084</u>

2.8 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Cash on hand	221	200
Bank balances		
In current accounts	68,624	39,286
In term deposit accounts	683	-
	<u>69,528</u>	<u>39,486</u>

2.9 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Advances to material suppliers	45,314	9,444
Prepaid expenses	5,363	5,539
Other advances	-	37,541
<i>Considered doubtful</i>		
Other advances recoverable in cash or in kind or for value to be received	2,126	2,246
	<u>52,803</u>	<u>54,770</u>
Less : Provision for doubtful loans and advances	(2,126)	(2,246)
	<u>50,677</u>	<u>52,524</u>

2.10 : Other Assets

A. Non Current Assets

Other assets	79,505	-
	<u>79,505</u>	<u>-</u>

B. Current Assets

Advances to holding company, other group companies	6,925	-
	<u>6,925</u>	<u>-</u>

2.11 : Other income

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest income	118	293
Profit on sale of fixed assets, net	206	-
Foreign exchange gain, net	-	98
	<u>324</u>	<u>391</u>

Dr. Reddy's Laboratories New York, Inc.**Notes to Financial Statements**

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

Note 2 : Notes to financial statements (continued)**2.12 : Employee benefits expense**

	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	222,770	118,678
Contribution to provident and other funds	(10,390)	33,259
Staff welfare expenses	10,481	47,088
	<u>222,861</u>	<u>199,025</u>

2.13 : Finance costs

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest expenses	48	42
	<u>48</u>	<u>42</u>

2.14 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Consumption of stores, spares and other materials	38,513	91,001
Research and development expenses	178,872	241,637
Legal and professional	295,415	37,564
Foreign exchange loss, net	21	-
Provision for doubtful advances, net	2,727	919
	<u>515,548</u>	<u>371,121</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 2016 ₹ 9,153(previous year: ₹ 8,013).

2.16 : Related party disclosures

The company has the following transactions during the year:

Particulars	As at	As at
	31 March 2016	31 March 2015
i. Other operating revenues from holding company and other group companies:		
Dr. Reddy's Laboratories Inc.	1,057	-

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

Particulars	As at	As at
	31 March 2016	31 March 2015
i. Due to holding company and other group companies (included in other current liabilities):		
Dr. Reddy's Laboratories Inc.	1,186,682	483,298
ii. Due from holding company and other group companies (included in other current assets):		
Dr. Reddy's Laboratories Inc.	6,925	-

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**

A Ramachandra Rao

Partner

Membership No. 9750

G.V. Prasad

Director

Place: Hyderabad

Date: 9 May 2016

Satish Reddy

Director

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

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 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	23,743	23,743
Reserves and surplus	2.2	134,084	87,271
		<u>157,827</u>	<u>111,014</u>
Current liabilities			
Other current liabilities	2.3	23,023	10,029
Short term provisions	2.4	6,098	3,912
		<u>29,121</u>	<u>13,941</u>
	TOTAL	<u>186,948</u>	<u>124,955</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	827	1,738
Deferred tax assets, net	2.14	2,135	2,217
Long term loans and advances	2.6	1,215	1,592
		<u>4,177</u>	<u>5,547</u>
Current assets			
Trade receivables	2.7	114,750	50,206
Cash and bank balances	2.8	37,224	40,269
Short term loans and advances	2.9	30,797	28,933
		<u>182,771</u>	<u>119,408</u>
	TOTAL	<u>186,948</u>	<u>124,955</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 2016

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 2016	For the year ended 31 March 2015
Income			
Service Income		408,074	384,546
Other operating revenues		<u>27</u>	<u>57</u>
Revenue from operations		408,101	384,603
Other income	2.10	<u>12,694</u>	<u>1,774</u>
Total revenue		420,795	386,377
Expenses			
Employee benefits expense	2.11	171,971	159,169
Depreciation expense	2.5	2,105	2,783
Other expenses	2.12	<u>187,626</u>	<u>206,507</u>
Total expenses		361,702	368,459
Profit before tax		59,093	17,918
Tax expense			
Current tax		11,925	10,401
Deferred tax expense		<u>355</u>	<u>94</u>
Profit for the year		46,813	7,423
Earnings per share			
Basic - Par value RON 10 per share		275.37	43.66
Diluted - Par value RON 10 per share		275.37	43.66
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.**for **and on behalf of the Board of Directors***Chartered Accountants*

ICAI FRN : 002857S

M V Ramana

Director

A Ramachandra Rao

Partner

Membership No. 9750

Abhijit Mukherjee

Director

Place: Hyderabad

Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Profit before taxation	59,093	17,918
Adjustments:		
Depreciation and amortisation expense	2,105	2,783
Effect of foreign exchange (gain)/loss, net	(13,117)	21,892
Interest income	(63)	(355)
Profit on sale of fixed assets, net	-	(1,419)
Operating cash flows before working capital changes	48,018	40,819
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(56,925)	(31,609)
Other assets and liabilities, net	12,187	(19,184)
Cash generated from / (used in) operations	3,280	(9,973)
Income taxes paid, net	(9,739)	(9,502)
Net cash from / (used in) operating activities	(6,459)	(19,475)
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(699)	(3,086)
Proceeds from sale of tangible and intangible assets	-	1,419
Interest received	63	355
Net cash used in investing activities	(636)	(1,312)
Cash flows from / (used in) financing activities		
Net cash from / (used in) financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	(7,095)	(20,787)
Cash and cash equivalents at the beginning of the year	40,269	70,985
Effect of foreign exchange gain/(loss) on cash and cash equivalents	4,050	(9,929)
Cash and cash equivalents at the end of the year	37,224	40,269
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	37,224	40,269
Cash and bank balances at the end of the year	37,224	40,269

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

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2016

for and on behalf of the Board of Directors

M V Ramana

Director

Abhijit Mukherjee

Director

Dr. Reddy's Laboratories Romania SRL
Significant accounting policies

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

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the 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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Surplus		
Balance at the beginning of the year	87,271	79,848
Add: Current year profit	46,813	7,423
Balance carried forward	<u>134,084</u>	<u>87,271</u>

2.3 : Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Accrued expenses	13,397	4,178
Salary and bonus payable	16	21
Due to statutory authorities	1,117	1,375
Others	8,493	4,455
	<u>23,023</u>	<u>10,029</u>

2.4 : Short term provisions

	As at 31 March 2016	As at 31 March 2015
Income tax payable	6,098	3,912
	<u>6,098</u>	<u>3,912</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 01.04.2015	Additions	Deletions	As at 31.03.2016	As at 01.04.2015	For the year	Deletions	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Lease hold improvements	1,154			1,154	1,154			1,154	-	-
Vehicles	13,004	-	-	13,004	11,336	1,228	-	12,564	440	1,669
Furniture and fixtures & Office equipment	5,644	1,194	-	6,838	5,574	877	-	6,451	387	70
Total	19,802	1,194	-	20,996	18,064	2,105	-	20,169	827	1,738
Previous year	20,642	3,290	4,130	19,802	19,410	2,783	4,130	18,063	1,738	

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 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Capital Advances for purchase of fixed assets	-	495
Security deposits	1,215	1,097
	<u>1,215</u>	<u>1,592</u>

2.7 : Trade receivables

	As at 31 March 2016	As at 31 March 2015
Unsecured		
Other debts		
Considered good	114,750	50,206
	<u>114,750</u>	<u>50,206</u>

2.8 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Bank balances		
In current accounts	37,224	40,269
	<u>37,224</u>	<u>40,269</u>

2.9 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Balances with statutory agencies	26,726	26,262
Prepaid expenses	748	481
Advances to material suppliers	209	189
Staff loans and advances	3,114	2,001
	<u>30,797</u>	<u>28,933</u>

2.10 : Other income

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest income	63	355
Profit on sale of fixed assets, net	-	1,419
Foreign exchange gain, net	12,631	-
	<u>12,694</u>	<u>1,774</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 2016	For the year ended 31 March 2015
Salaries, wages and bonus	170,928	154,579
Staff welfare expenses	1,043	4,590
	<u>171,971</u>	<u>159,169</u>

2.12 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Legal and professional	3,641	4,153
Selling expenses	102,399	96,750
Travelling and conveyance	8,773	10,725
Communication	3,996	5,018
Rent	30,656	31,793
Insurance	960	2,281
Foreign exchange loss, net	-	19,189
Auditors' remuneration	233	543
Advertisements	13,375	9,851
Other general expenses	23,593	26,204
	<u>187,626</u>	<u>206,507</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 2016 (previous year: Nil).

2.14 : Deferred taxation

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

Particulars	As at	As at
	31 March 2016	31 March 2015
Deferred tax assets / (liabilities)		
Current liabilities	2,135	2,217
Deferred tax asset, net	2,135	2,217

2.15 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended	For the year ended
	31 March 2016	31 March 2015
i. Service income from holding company and other group companies:		
Dr.Reddy's Laboratories SA	408,074	384,546

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

Particulars	As at	As at
	31 March 2016	31 March 2015
i. Due from related parties (included in trade receivables):		
Dr.Reddy's Laboratories SA	114,628	50,095

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: 9 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

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 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	50,275	50,275
Reserves and surplus	2.2	352,826	313,135
		<u>403,101</u>	<u>363,410</u>
Non current liabilities			
Long term borrowings	2.3	421	34,560
Deferred tax liabilities, net	2.22	2,260	1,138
Other long term liabilities	2.4	190	78
		<u>2,871</u>	<u>35,776</u>
Current liabilities			
Short term borrowings	2.3	18,220	-
Trade payables	2.5	16,661	29,439
Other current liabilities	2.6	17,752	85,047
Short term provisions	2.7	4,019	2,481
		<u>56,652</u>	<u>116,967</u>
	TOTAL	<u>462,624</u>	<u>516,153</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.8	5	47
Intangible assets	2.8	55,169	49,161
Capital work-in-progress		1	-
Non current investments	2.9	225,172	236,617
Long term loans and advances	2.10	93,191	120,837
Other non current assets		413	-
		<u>373,951</u>	<u>406,662</u>
Current assets			
Inventories	2.11	954	1,033
Trade receivables	2.12	73,481	65,711
Cash and bank balances	2.13	9,661	32,475
Short term loans and advances	2.14	1,709	4,232
Other current assets	2.15	2,868	6,040
		<u>88,673</u>	<u>109,491</u>
	TOTAL	<u>462,624</u>	<u>516,153</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. 9750Place: Hyderabad
Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Income			
Sales, net		162,730	131,781
Service income		791	122
Other operating revenues		1,670	25
Revenue from operations		165,191	131,928
Other income	2.16	1,690	6,484
Total revenue		166,881	138,412
Expenses			
Purchase of stock-in-trade (traded goods)		88,714	88,810
Changes in inventories of stock-in-trade	2.17	79	(420)
Employee benefits expense	2.18	3,987	3,768
Finance costs	2.19	1,024	2,412
Depreciation and amortisation expense	2.8	7,806	2,151
Other expenses	2.20	49,685	33,828
Total expenses		151,295	130,549
Profit before tax		15,586	7,863
Tax expense			
Current tax		4,257	241
Deferred tax (benefit)/expense		(1,274)	1,499
Profit for the year		12,603	6,123
Earnings per share			
Basic - Par value CHF 1 per share		11.93	5.80
Diluted - Par value CHF 1 per share		11.93	5.80
Number of shares used in computing earnings per share			
Basic		105,640,410	105,640,410
Diluted		105,640,410	105,640,410

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. 9750Place: Hyderabad
Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Profit before taxation	15,586	7,863
Adjustments:		
Depreciation and amortisation expense	7,806	2,151
Foreign exchange loss, net	20,533	8,200
Allowance for sales returns	324	1,010
Impairment / loss on de-recognition of intangible assets	-	590
Interest income	(1,690)	(4,984)
Finance costs	1,024	2,412
Provision for inventory obsolescence	21	370
Provision / (Reversal of provision) for doubtful debts, net	(430)	1,467
Operating cash flows before working capital changes	43,174	19,079
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(2,110)	(32,519)
Inventories	58	(790)
Trade payables	(14,659)	3,894
Other assets and liabilities, net	(178)	(3,655)
Cash generated from / (used in) operations	26,285	(13,990)
Income taxes paid, net	(4)	(2,049)
Net cash from / (used in) operating activities	26,281	(16,040)
Cash flows from / (used in) investing activities		
Purchase of assets, net	(11,535)	(50,987)
(Increase) / decrease in deposit accounts (having original maturity of more than 3 months) and other bank balances	29,217	(1,987)
Investment in subsidiaries and joint ventures	(934)	(4,226)
Proceeds from redemption of share premium by Reddy Netherlands B.V.	12,379	-
Loans and advances repaid by / (given to) holding company and other group companies	38,744	124,246
Interest received	1,814	4,969
Net cash from / (used in) investing activities	69,686	72,015
Cash flows from / (used in) financing activities		
Repayment of long term borrowings, net	(108,059)	(34,097)
Proceeds from / (repayment of) from short term borrowings, net	18,138	(25,292)
Interest paid	(1,038)	(1,892)
Net cash from / (used in) financing activities	(90,959)	(61,282)
Net decrease in cash and cash equivalents	5,008	(5,307)
Cash and cash equivalents at the beginning of the year	4,350	10,968
Effect of foreign exchange gain/(loss) on cash and cash equivalents	303	(1,311)
Cash and cash equivalents at the end of the year	9,661	4,350
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	9,661	4,350
Other bank balances	-	28,125
Cash and bank balances at the end of the year	9,661	32,475

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**

Satish Reddy
Director

Saumen Chakraborty
Director

Place: Hyderabad
Date: 9 May 2016

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 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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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	105,640,410	50,275
Shares issued during the year	-	-	-	-
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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Share premium account		
Balance at the beginning of the year	85,758	85,758
Movement during the year	<u>-</u>	<u>-</u>
	<u>85,758</u>	<u>85,758</u>
Foreign currency translation reserve		
Balance at the beginning of the year	8,463	33,014
Movement during the year	<u>9,052</u>	<u>(24,551)</u>
	<u>17,515</u>	<u>8,463</u>
Hedging Reserve		
Balance at the beginning of the year	(26,234)	(26,715)
Movement during the year	<u>18,036</u>	<u>481</u>
	<u>(8,198)</u>	<u>(26,234)</u>
Surplus		
Balance at the beginning of the year	245,148	239,025
Add: Current year profit	<u>12,603</u>	<u>6,123</u>
Balance carried forward	<u>257,751</u>	<u>245,148</u>
	<u>352,826</u>	<u>313,135</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 2016	As at 31 March 2015
Borrowings from holding company and other group companies:	421	386
Long term loans from Bank	-	34,174
	<u>421</u>	<u>34,560</u>

(B) Short term borrowings

	As at 31 March 2016	As at 31 March 2015
Short term loan from bank	18,220	-
	<u>18,220</u>	<u>-</u>

2.4 : Other long term liabilities

	As at 31 March 2016	As at 31 March 2015
Deferred revenue	190	78
	<u>190</u>	<u>78</u>

2.5 : Trade payables

	As at 31 March 2016	As at 31 March 2015
Payables to holding company and other group companies:	15,003	26,535
Payables to others	1,658	2,904
	<u>16,661</u>	<u>29,439</u>

2.6 : Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Current portion of long term borrowings	-	68,750
Derivative financial instrument liability	548	5,303
Due to capital creditors	2,238	-
Due to holding company and other group companies:	5,016	1,804
Interest accrued but not due on loans	1	7
Accrued expenses	8,345	8,095
Salary and bonus payable	477	418
Due to statutory authorities	608	119
Others	519	551
	<u>17,752</u>	<u>85,047</u>

2.7 : Short term provisions

	As at 31 March 2016	As at 31 March 2015
Allowance for sales returns	156	718
Income tax payable	3,863	1,763
	<u>4,019</u>	<u>2,481</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 01.04.2015	Additions	Deletions	As at 31.03.2016	As at 01.04.2015	For the year	Impairment	Deletions	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Office equipments	260	10		270	213	52			265	5	47
Total tangible assets (A)	260	10	-	270	213	52	-	-	265	5	48
Intangibles	52,143	13,762		65,905	2,982	7,754			10,736	55,169	49,161
Total intangible assets (B)	52,143	13,762	-	65,905	2,982	7,754	-	-	10,736	55,169	49,161
Total (A+B)	52,403	13,771	-	66,175	3,195	7,806	-	-	11,001	55,174	49,208
Previous year	1,416	50,987	-	52,403	453	2,151	590	-	3,195	49,208	

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 2016	As at 31 March 2015
<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	25,838
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.	30,198	42,577
Dr. Reddy's Laboratories SAS	489	56
Reddy Pharma SAS	362	-
Dr. Reddy's Laboratories Japan KK	139	-
	<u>226,621</u>	<u>238,066</u>
Less: Provision for decline, other than temporary, in the value of non current investments	(1,449)	(1,449)
	<u><u>225,172</u></u>	<u><u>236,617</u></u>

2.10 : Long term loans and advances

Unsecured	As at 31 March 2016	As at 31 March 2015
<i>Considered good</i>		
Loan to holding company and other group companies	93,141	120,791
Security deposits	50	46
	<u>93,191</u>	<u>120,837</u>

2.11 : Inventories

(Valued on weighted average basis)

Stock-in-trade	As at 31 March 2016	As at 31 March 2015
	954	1,033
	<u>954</u>	<u>1,033</u>

2.12 : Trade receivables

Unsecured	As at 31 March 2016	As at 31 March 2015
Debts outstanding for a period exceeding six months		
Considered good	2,432	180
Considered doubtful	1,143	1,475
Other debts		
Considered good	71,049	65,531
	<u>74,624</u>	<u>67,186</u>
Less : Provision for doubtful debts	(1,143)	(1,475)
	<u><u>73,481</u></u>	<u><u>65,711</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 2016	As at 31 March 2015
Bank balances		
In current accounts	717	1,850
In term deposit accounts (original maturity less than 3 months)	8,944	2,500
Cash and cash equivalents (A)	9,661	4,350
In term deposit accounts (original maturity more than 3 months)	-	28,125
Other bank balances (B)	-	28,125
Total cash and bank balances (A+B)	9,661	32,475

2.14 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Advances to material suppliers	1,249	3,798
Staff loans and advances	1	32
Balances with statutory agencies	9	8
Prepaid expenses	450	394
	1,709	4,232

2.15 : Other current assets

	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Claims receivable	2,823	-
Interest accrued but not due	-	124
Derivative financial instrument asset	1	5,911
Other receivables from holding company and other group companies	44	5
	2,868	6,040

2.16 : Other income

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest income	1,690	4,984
Foreign exchnage gain, net	-	1,500
	1,690	6,484

2.17 : Changes in inventories of stock in trade

	For the year ended 31 March 2016	For the year ended 31 March 2015
<i>Opening</i>		
Stock-in-trade	1,033	613
<i>Closing</i>		
Stock-in-trade	954	1,033
<i>Net decrease/(increase)</i>	79	(420)

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 2016	For the year ended 31 March 2015
Salaries, wages and bonus	3,869	3,631
Staff welfare expenses	118	137
	<u>3,987</u>	<u>3,768</u>

2.19 : Finance costs

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest expenses	1,024	2,412
	<u>1,024</u>	<u>2,412</u>

2.20 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Consumption of stores and spare parts and other materials	798	10,872
Legal and professional	3,107	2,277
Other research and development expenses	21,532	9,533
Selling expenses	4,183	4,031
Travelling and conveyance	329	329
Rates and taxes	271	349
Communication	72	74
(Reversal of provision)/Provision on advances and receivables	(430)	1,357
Rent	96	91
Insurance	59	4
Bad debts	-	110
Foreign exchange loss, net	16,511	-
Impairment of assets	-	590
Other general expenses	3,157	4,211
	<u>49,685</u>	<u>33,828</u>

2.21 : Commitments and contingent liabilities

Guarantees issued by the company on behalf of other group companies is NIL (previous year : ₹ 7,398)

Further, there were no commitments or contingent liabilities as at 31 March 2016 (previous year: Nil).

2.22 : Deferred taxation

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

Particulars	As at 31 March 2016	As at 31 March 2015
Deferred tax assets / (liabilities)		
Current liabilities	-	224
Fixed assets	841	141
Trade receivables	(3,101)	(1,503)
Deferred Tax Liability, net	<u>(2,260)</u>	<u>(1,138)</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 2016	For the year ended 31 March 2015
i. Interest income from holding company and other group companies:		
Reddy Holdings GmbH	992	2,246
Dr. Reddy's Laboratories SAS	4	-
Lacock Holdings Limited	-	1,089
Dr. Reddy's Laboratories (Australia) Pty. Limited	287	317
Dr. Reddy's Laboratories Inc.	41	-
Dr. Reddy's Laboratories (Canada) Inc.	8	5
Dr. Reddy's Venezuela, C.A.	91	18
OctoPlus Development B.V.	-	12
ii. Purchases and services from holding company and other group companies:		
Chirotech Technology Limited	71	418
Industrias Quimicas Falcon de Mexico, S.A.	6,202	23,536
Dr. Reddy's Laboratories (EU) Limited	551	645
Dr. Reddy's Laboratories Romania SRL	4,081	3,846
Dr. Reddy's Laboratories (UK) Limited	72	28
Dr. Reddy's Laboratories Inc.	1,459	2,833
Dr. Reddy's Laboratories Limited	56,100	48,914
OctoPlus B.V.	173	118
Dr. Reddy's Singapore PTE. LTD.	278	481
iii. Rent paid to holding company and other group companies:		
Dr. Reddy's Laboratories International SA	2	13
iv. Sales / (sales return) and services to holding company and other group companies:		
OOO Dr. Reddy's Laboratories Limited	5,361	6,691
Industrias Quimicas Falcon de Mexico, S.A.	-	81
Dr. Reddy's Laboratories Inc.	104,331	62,912
Dr. Reddy's Laboratories LLC, Ukraine	97	884
Dr. Reddy's Laboratories Canada Inc.	154	187
Dr. Reddy's Laboratories Tennessee, LLC	-	9
Dr. Reddy's Laboratories (Australia) Pty. Limited	180	-
Dr. Reddy's Laboratories (UK) Limited	5	-
v. Research and Development expenses paid to holding and other group companies:		
Dr. Reddy's Laboratories Inc.	1,614	
Dr. Reddy's Laboratories Limited	71	
vi. Guarantee commission paid / payable to holding and other group companies:		
Dr. Reddy's Laboratories Limited	212	1,315
vii. Guarantee commission received from holding company and other group companies:		
Dr. Reddy's Laboratories (EU) Limited	4	25

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)

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
viii. Interest paid to holding and other group companies:		
Dr. Reddy's Laboratories International SA	6	-
ix. Investments made/(sold) in other group companies:		
Dr. Reddy's Laboratories New York, Inc.	-	1,686
Reddy Netherlands B.V.	(12,379)	2,484
Reddy Pharma SAS	362	-
Dr. Reddy's Laboratories Japan KK	139	-
Dr. Reddy's Laboratories SAS	433	56

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

Particulars	As at 31 March 2016	As at 31 March 2015
i. Due from holding company and other group companies (included in advances and other assets):		
Dr. Reddy's Venezuela, C.A.	3,975	831
Dr. Reddy's Laboratories (EU) Limited	-	5
Dr. Reddy's Laboratories (Canada) Inc.	269	250
Dr. Reddy's Srl	44	-
Reddy Holdings GmbH	81,490	113,128
Dr. Reddy's Laboratories SAS	235	-
Dr. Reddy's Laboratories (Australia) Pty. Limited	7,172	6,583
ii. Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's Laboratories Limited	-	3,195
OOO Dr. Reddy's Laboratories Limited	4,336	1,614
Industrias Quimicas Falcon de Mexico, S.A.	1	84
Dr. Reddy's Laboratories Inc.	50,768	43,813
Dr. Reddy's Laboratories LLC, Ukraine	90	501
Dr. Reddy's Laboratories Canada Inc.	462	295
Dr. Reddy's Laboratories (Australia) Pty. Limited	183	-
iii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	12,345	15,860
Industrias Quimicas Falcon de Mexico, S.A.	892	9,312
Dr. Reddy's Laboratories Romania SRL	1,146	501
Dr. Reddy's Singapore PTE. LTD.	276	260
Dr. Reddy's Laboratories (EU) Limited	165	149
Chirotech Technology Limited	70	413
OctoPlus Development B.V.	36	40
Dr. Reddy's Laboratories (UK) Limited	73	-
iv. Due to holding company and other group companies (included in other liabilities):		
Dr. Reddy's Laboratories Limited	1,580	295
OOO Dr. Reddy's Laboratories Limited	208	367
Dr. Reddy's Laboratories Inc.	3,112	1,128
Dr. Reddy's Laboratories International SA	2	14
Reddy Holdings GmbH	113	-
v. Due to holding company and other group companies (included in borrowings):		
Dr. Reddy's Laboratories International SA	421	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: 9 May 2016

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

Satish Reddy

Director

Saumen Chakraborty

Director

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

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 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	49,230	5,561
Reserves and surplus	2.2	(27,559)	(758)
		21,671	4,803
Non current liabilities			
Long term borrowings	2.3	23,540	-
		23,540	-
Current liabilities			
Other current liabilities	2.4	2,385	181
Short term provisions	2.5	12	-
		2,397	181
	TOTAL	47,608	4,984
ASSETS			
Fixed assets			
Tangible assets	2.6	3,601	-
Long term loans and advances	2.7	160	-
		3,761	-
Current assets			
Cash and bank balances	2.8	43,714	4,984
Short term loans and advances	2.9	133	-
		43,847	4,984
	TOTAL	47,608	4,984

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 2016

for and on behalf of the Board of Directors

Saumen Chakraborty

Director

MV Ramana

Director

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 1 April 2015 to 31 March 2016	For the period 24 November 2014 to 31 March 2015
Total revenue		-	-
Expenses			
Employee benefits expense	2.10	11,279	-
Finance costs		351	-
Depreciation and amortisation expense		357	-
Other expenses	2.11	14,814	758
Total expenses		<u>26,801</u>	<u>758</u>
Loss before tax		(26,801)	(758)
Tax expense		-	-
Loss for the year		<u>(26,801)</u>	<u>(758)</u>
Earnings per share			
Basic - Par value USD 1 per share		(254.58)	(23.45)
Diluted - Par value USD 1 per share		(254.58)	(23.45)
Number of shares used in computing earnings per share			
Basic		105,273	32,329
Diluted		105,273	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: 9 May 2016

Dr. Reddy's Laboratories SAS**Cash Flow Statement**

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

	For the period 1 April 2015 to 31 March 2016	For the period 24 November 2014 to 31 March 2015
Cash flows from / (used in) operating activities		
Loss before taxation	(26,801)	(758)
Adjustments:		
Depreciation and amortisation expense	357	-
Foreign exchange loss, net	725	459
Operating cash flows before working capital changes	(25,719)	(299)
<i>Changes in operating assets and liabilities</i>		
Other assets and liabilities, net	1,971	184
Cash used in operations	(23,748)	(115)
Income taxes paid, net	-	-
Net cash used in operating activities	(23,748)	(115)
Cash flows from / (used in) investing activities		
Purchase of fixed assets	(3,958)	-
Net cash from / (used in) investing activities	(3,958)	-
Cash flows from / (used in) financing activities		
Proceeds from issuance of share capital	43,669	5,561
Proceeds from long term borrowings	24,630	-
Net cash from financing activities	68,299	5,561
Net increase / (decrease) in cash and cash equivalents	40,593	5,446
Cash and cash equivalents at the beginning of the year	4,984	-
Effect of foreign exchange loss on cash and cash equivalents	(1,863)	(462)
Cash and cash equivalents at the end of the year	43,714	4,984
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	43,714	4984
Cash and bank balances at the end of the year	43,714	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: 9 May 2016

for and on behalf of the Board of Directors

Saumen Chakraborty
Director**MV Ramana**
Director

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 2016	As at 31 March 2015
Authorised		
48,699,955(previous year : 1,00,000) equity shares of USD 1 each	<u>49,230</u>	<u>5,561</u>
Issued		
1,062,311(previous year : 1,00,000) equity shares of USD 1 each	<u>49,230</u>	<u>5,561</u>
Subscribed and paid-up		
1,062,311(previous year : 1,00,000) equity shares of USD 1 each	<u>49,230</u>	<u>5,561</u>
	<u>49,230</u>	<u>5,561</u>

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

Particulars	As at 31 March 2016		As at 31 March 2015	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares at the beginning of the year	100,000	5,561	-	-
Shares issued during the year	962,311	43,669	100,000	5,561
Number of shares outstanding at the end of the year	1,062,311	49,230	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 2016		As at 31 March 2015	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
Dr. Reddy's Laboratories SA	1,062,311	100	100,000	100

2.2 : Reserves and surplus

	As at 31 March 2016	As at 31 March 2015
Deficit		
Balance as at beginning of the period	(758)	-
Add: Current period loss	<u>(26,801)</u>	<u>(758)</u>
Balance carried forward	<u>(27,559)</u>	<u>(758)</u>

2.3 : Long Term Borrowings

	As at 31 March 2016	As at 31 March 2015
Borrowings from holding company and other group companies	<u>23,540</u>	-
	<u>23,540</u>	<u>-</u>

Dr. Reddy's Laboratories SAS

Notes to Financial Statements

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

2.4 : Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Accrued expenses	1,245	181
Salary and bonus payable	1,013	-
Due to statutory authorities	127	-
	<u>2,385</u>	<u>181</u>

2.5 : Short term provisions

	As at 31 March 2016	As at 31 March 2015
Provision for employee benefits	12	-
	<u>12</u>	<u>-</u>

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)

2.6 : Fixed assets

Description	Gross Block				Depreciation				Net Block	
	As at 1.04.2015	Additions	Deletions	As at 31.03.2016	As at 1.04.2015	For the year	Deletions	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Office Equipment	-	1,122	-	1,122	-	132		132	990	-
Furniture & Fixtures	-	808	-	808	-	59		59	749	-
Vehicles	-	2,028	-	2,028	-	166		166	1,862	-
Total Tangible Assets (A)	-	3,958	-	3,958	-	357	-	357	3,601	-
TOTAL	-	3,958	-	3,958	-	357	-	357	3,601	-
Previous Year	-	-	-	-	-	-	-	-	-	-

Dr. Reddy's Laboratories SAS
Notes to Financial Statements

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

2.7 : Long term loans and advances

	As at 31 March 2016	As at 31 March 2015
Security deposits	160	-
	<u>160</u>	<u>-</u>

2.8 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Bank balances		
In current accounts	43,714	4,984
	<u>43,714</u>	<u>4,984</u>

2.9 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
(Unsecured)		
<i>Considered good</i>		
Staff loans and advances	133	-
	<u>133</u>	<u>-</u>

2.10 : Employee benefits expense

	As at 31 March 2016	As at 31 March 2015
Salaries, wages and bonus	9,485	-
Staff welfare expenses	849	-
Contribution to provident and other funds	945	-
	<u>11,279</u>	<u>-</u>

2.11 : Other expenses

	As at 31 March 2016	As at 31 March 2015
Legal and professional	3,744	188
Rates and taxes	32	-
Rent	2,130	-
Foreign exchange loss, net	2,556	570
Repairs and Maintenance	132	-
Travelling and conveyance	459	-
Other general expenses	5,761	-
	<u>14,814</u>	<u>758</u>

2.12 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016.(Previous year:Nil)

Dr. Reddy's Laboratories SAS
Notes to Financial Statements

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

2.13 : Related party disclosures :

a. The company has the following related party

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest expense paid to holding company and other group companies:		
Dr. Reddy's Laboratories SA	351	-

/ to related parties:

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Due to holding company and other group companies (included in borrowings):		
Dr. Reddy's Laboratories SA	23,540	-

2.14 : The Company incorporated in Colombia, is a 100% subsidiary of Dr. Reddy's Laboratories SA.

2.15 : 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

MV Ramana
Director

Place: Hyderabad
Date: 9 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

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 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	11,196	11,196
Reserves and surplus	2.2	(21,810)	(15,472)
		<u>(10,614)</u>	<u>(4,276)</u>
Current liabilities			
Trade payables	2.3	278	229
Other current liabilities	2.4	17,634	15,054
Short term provisions	2.5	5	5
		<u>17,917</u>	<u>15,288</u>
	TOTAL	<u>7,303</u>	<u>11,012</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	6,398	6,697
Intangible assets	2.6	-	816
Capital work-in-progress		163	157
Long term loans and advances	2.7	1	60
		<u>6,562</u>	<u>7,730</u>
Current assets			
Inventories	2.8	517	2,527
Cash and bank balances	2.9	60	622
Short term loans and advances	2.10	122	133
Other current assets	2.11	42	-
		<u>741</u>	<u>3,282</u>
	TOTAL	<u>7,303</u>	<u>11,012</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

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

ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao

Partner

Membership No. 9750

Satish Reddy

Director

G.V. Prasad

Director

Place: Hyderabad

Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Income			
Sales, net		4,397	14,689
Other operating revenues		1	5
Total revenue		4,398	14,694
Expenses			
Cost of material consumed (including packing material consumed)		2,986	13,915
Changes in inventories of finished goods and work-in-progress	2.11	22	44
Employee benefits expense	2.12	3,145	6,784
Depreciation and amortization expense	2.6	1,573	1,376
Other expenses	2.13	2,646	3,051
Total expenses		10,372	25,170
Loss before tax		(5,974)	(10,476)
Tax expense	2.17	-	-
Loss for the year		(5,974)	(10,476)

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

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

ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao

Partner

Membership No. 9750

Satish Reddy

Director

G.V. Prasad

Director

Place: Hyderabad

Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Loss before taxation	(5,974)	(10,476)
Adjustments:		
Depreciation and amortisation expense	1,573	1,376
Loss on sale of fixed assets, net	15	281
Provision for inventory obsolescence	1,740	1,854
Operating cash flows before working capital changes	(2,646)	(6,965)
<i>Changes in operating assets and liabilities</i>		
Inventories	396	1,128
Trade payables	35	(416)
Other assets and liabilities, net	1,623	7,036
Cash generated from operations	(592)	783
Income taxes paid, net	-	-
Net cash from operating activities	(592)	783
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	-	(467)
Proceeds from sale of tangible and intangible assets	-	78
Net cash used in investing activities	-	(389)
Cash flows from / (used in) financing activities		
Net cash from / (used in) financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	(592)	394
Cash and cash equivalents at the beginning of the year	622	209
Effect of foreign exchange gain on cash and cash equivalents	30	18
Cash and cash equivalents at the end of the year	60	622
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	60	622
Other bank balances	-	-
Cash and bank balances at the end of the year	60	622

The accompanying notes are an integral part of financial statements

As per our report of even date attached

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

for and on behalf of the Board of Directors

A Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

G.V. Prasad
Director

Place: Hyderabad
Date: 9 May 2016

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Foreign currency translation reserve		
Balance at the beginning of the year	3,530	3,405
Movement during the year	<u>(363)</u>	<u>125</u>
	<u>3,167</u>	<u>3,530</u>
Deficit		
Balance at the beginning of the year	(19,003)	(8,526)
Add: Current year loss	<u>(5,974)</u>	<u>(10,476)</u>
Balance carried forward	<u>(24,977)</u>	<u>(19,003)</u>
	<u>(21,810)</u>	<u>(15,472)</u>

2.3 : Trade payables

	As at 31 March 2016	As at 31 March 2015
Trade payable	<u>278</u>	<u>229</u>
	<u>278</u>	<u>229</u>

2.4 : Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Due to capital creditors	3	6
Due to holding company and other group companies	16,902	13,602
Salary and bonus payable	185	962
Accrued expenses	511	341
Others	33	143
	<u>17,634</u>	<u>15,054</u>

2.5 : Short term provisions

	As at 31 March 2016	As at 31 March 2015
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 01.04.2015	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 01.04.2015	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Land	691	-	-	41	732	-	-			-	732	691
Building	5,531	47	19	332	5,891	1,265	357	4	80	1,698	4,193	4,266
Plant and machinery	3,091	-	-	186	3,277	1,483	340		113	1,936	1,341	1,608
Electrical equipment	33	-	-	2	35	10	2		1	13	22	23
Lab equipment	191	-	3	11	199	88	10	3	5	101	98	103
Office equipment	376	-	12	23	387	370	11	12	6	375	12	6
Furniture and fixtures	37	-	-	2	39	37	-	-	3	39	-	-
Total tangible assets (A)	9,950	47	34	597	10,560	3,253	720	19	208	4,162	6,398	6,697
Intangibles	4,144	-		249	4,393	3,328	853		212	4,393	-	816
Total intangible assets (B)	4,144	-	-	249	4,393	3,328	853	-	212	4,393	-	816
Total (A+B)	14,094	47	34	846	14,953	6,581	1,573	19	420	8,555	6,398	7,513
Previous year	12,511	1,690	667	560	14,094	5,267	1,376	308	246	6,580	7,513	

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 2016	As at 31 March 2015
Capital advances for purchase of fixed assets	-	60
Security Deposits	1	-
	<u>1</u>	<u>60</u>

2.8 : Inventories

(Valued on weighted average basis)

	As at 31 March 2016	As at 31 March 2015
Raw materials	258	2,033
Work-in-progress	28	70
Finished goods	149	129
Packing materials	82	295
	<u>517</u>	<u>2,527</u>

2.9 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Bank balances		
In current accounts	60	622
	<u>60</u>	<u>622</u>

2.10 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Advances to material suppliers	2	-
Prepaid expenses	120	133
	<u>122</u>	<u>133</u>

2.11 : Other Current Assets

Other receivables from holding company and other group companies	42	-
	<u>42</u>	<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)**2.11 : Changes in inventories of finished goods and work-in-progress**

	For the year ended 31 March 2016	For the year ended 31 March 2015
<i>Opening</i>		
Work-in-progress	70	220
Finished goods	129	23
	<u>199</u>	<u>243</u>
<i>Closing</i>		
Work-in-progress	28	70
Finished goods	149	129
	<u>177</u>	<u>199</u>
<i>Net decrease</i>	<u><u>22</u></u>	<u><u>44</u></u>

2.12 : Employee benefits expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	2,211	5,588
Contribution to provident and other funds	791	333
Staff welfare expenses	143	863
	<u>3,145</u>	<u>6,784</u>

2.13 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Legal and professional	5	36
Rates and taxes	671	375
Repairs and maintenance		
Buildings	148	226
Plant and machinery	96	284
Others	669	691
Power and fuel	855	837
Loss on sale of fixed assets, net	15	281
Insurance	110	106
Foreign exchnage loss, net	-	1
Other general expenses	77	214
	<u>2,646</u>	<u>3,051</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 2016 ₹ 91(previous year: ₹ 18).

2.15 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
i. Sales and services rendered to holding company and other companies within the group:		
Dr. Reddy's Laboratories Inc.	4,397	14,689
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 2016	As at 31 March 2015
i. Due to holding company and other group companies (included in other current liabilities):		
Dr. Reddy's Laboratories Inc	16,703	13,415
Dr. Reddy's Laboratories Louisiana LLC	199	188
ii. Due from holding company and other group companies (included in other current assets):		
Dr. Reddy's Laboratories Inc.	41	-

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: 9 May 2016

G.V. Prasad

Director

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

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 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	328	328
Reserves and surplus	2.2	46,587	32,580
		46,915	32,908
Current liabilities			
Trade payables	2.3	22,097	28,318
Other current liabilities	2.4	9,007	1,341
		31,104	29,659
	TOTAL	78,019	62,567
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	103	158
Long term loans and advances	2.6	2,265	1,888
		2,368	2,046
Current assets			
Inventories	2.7	19,845	4,319
Trade receivables	2.8	16,111	28,175
Cash and bank balances	2.9	38,682	27,069
Short term loans and advances	2.10	1,013	958
		75,651	60,521
	TOTAL	78,019	62,567

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 2016

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 2016	For the year ended 31 March 2015
Income			
Sales, net		76,985	92,491
Other income	2.11	293	405
Total revenue		77,278	92,896
Expenses			
Purchase of stock-in-trade (traded goods)		37,812	69,963
Changes in inventories of stock-in-trade	2.12	(15,526)	3,138
Employee benefits expense	2.13	12,385	17,278
Depreciation expense	2.5	55	67
Other expenses	2.14	28,522	40,792
Total expenses		63,248	131,238
Profit/(Loss) before tax		14,030	(38,342)
Tax expense			
Current tax		23	-
Deferred tax expense		-	7,914
Profit/(Loss) for the year		14,007	(46,256)
Earnings per share			
Basic - Par value NZD 1 per share		1,400.66	(4,625.60)
Diluted - Par value NZD 1 per share		1,400.66	(4,625.60)
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

for and on behalf of the Board of Directors

Abhijit Mukerjee

Director

M V Narasimham

Director

Place: Hyderabad

Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Profit/(Loss) before taxation	14,030	(38,342)
Adjustments:		
Depreciation and amortisation expense	55	67
Foreign exchange loss, net	1,268	4,225
Interest income	(293)	(405)
Operating cash flows before working capital changes	15,059	(34,455)
<i>Changes in operating assets and liabilities</i>		
Trade receivables	9,885	(7,123)
Inventories	(15,526)	3,138
Trade payables	(5,470)	24,626
Other assets and liabilities, net	7,332	2,873
Cash generated from / (used in) operations	11,280	(10,942)
Income taxes paid, net	(400)	1,330
Net cash used in operating activities	10,881	(9,612)
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	-	(178)
Interest received	293	405
Net cash from investing activities	293	227
Net increase / (decrease) in cash and cash equivalents	11,174	(9,385)
Cash and cash equivalents at the beginning of the year	27,069	40,210
Effect of foreign exchange gain/(loss) on cash and cash equivalents	439	(3,756)
Cash and cash equivalents at the end of the year	38,682	27,069
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	38,682	27,069
Other bank balances	-	-
Cash and bank balances at the end of the year	38,682	27,069

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 2016

for and on behalf of the Board of Directors

Abhijit Mukerjee

Director

M V Narasimham

Director

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the year	10,000	328	10,000	328
Shares issued during the year	-	-	-	-
Number of shares outstanding at the end of the year	10,000	328	10,000	328

(b) Terms/rights attached to equity shares

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

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

Particulars	As at 31 March 2016		As at 31 March 2015	
	No. of equity shares held	% of equity shares held	No. of equity shares held	% of equity shares held
Dr. Reddy's Laboratories SA	10,000	100	10,000	100

2.2 : Reserves and surplus

	As at 31 March 2016	As at 31 March 2015
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	(72,448)	(26,192)
Add: Current year profit / (loss)	<u>14,007</u>	<u>(46,256)</u>
Balance carried forward	<u>(58,441)</u>	<u>(72,448)</u>
	<u>46,587</u>	<u>32,580</u>

2.3 : Trade payables

	As at 31 March 2016	As at 31 March 2015
Payables to holding company and other group companies:	15,544	22,182
Payables to others	<u>6,553</u>	<u>6,136</u>
	<u>22,097</u>	<u>28,318</u>

2.4 : Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Accrued expenses	4,029	1,070
Due to statutory authorities	962	271
Other current liabilities	1,613	-
Payables to holding and other group companies	<u>2,403</u>	<u>-</u>
	<u>9,007</u>	<u>1,341</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 01.04.2015	Additions	Deletions	As at 31.03.2016	As at 01.04.2015	For the year	Deletions	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Furniture and fixtures	731	-	-	731	573	55	-	628	103	158
Total tangible assets (A)	731	-	-	731	573	55	-	628	103	158
Intangibles	105,013	-	-	105,013	105,013	-	-	105,013	-	-
Total intangible assets (B)	105,013	-	-	105,013	105,013	-	-	105,013	-	-
Total (A+B)	105,744	-	-	105,744	105,586	55	-	105,641	103	158
Previous year	105,566	178	-	105,744	105,519	67	-	105,586	158	

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 2016	As at 31 March 2015
Advance tax, net of provision for income taxes	2,265	1,888
	<u>2,265</u>	<u>1,888</u>

2.7 : Inventories
(Valued on weighted average basis)

	As at 31 March 2016	As at 31 March 2015
Stock-in-trade	19,845	4,319
	<u>19,845</u>	<u>4,319</u>

2.8 : Trade receivables

	As at 31 March 2016	As at 31 March 2015
Unsecured		
Other debts		
Considered good	16,111	28,175
	<u>16,111</u>	<u>28,175</u>

2.9 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Cash on hand	19	20
Bank balances		
In current accounts	38,663	27,049
	<u>38,682</u>	<u>27,069</u>

2.10 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
Considered good		
Staff loans and advances	23	-
Other advances	919	958
Prepaid Expenses	71	
	<u>1,013</u>	<u>958</u>

2.11 : Other income

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest income	293	405
	<u>293</u>	<u>405</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 2016	For the year ended 31 March 2015
<i>Opening</i>		
Stock-in-trade	4,319	7,457
<i>Closing</i>		
Stock-in-trade	<u>19,845</u>	<u>4,319</u>
<i>Net decrease/(increase)</i>	<u><u>(15,526)</u></u>	<u><u>3,138</u></u>

2.13 : Employee benefits expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	12,322	17,025
Contribution to provident and other funds	<u>63</u>	<u>253</u>
	<u><u>12,385</u></u>	<u><u>17,278</u></u>

2.14 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Legal and professional	5,154	4,179
Selling expenses	17,385	21,675
Travelling and conveyance	2,074	2,711
Communication	-	578
Rent	1,490	2,484
Foreign exchange loss, net	396	861
Other general expenses	<u>2,023</u>	<u>8,304</u>
	<u><u>28,522</u></u>	<u><u>40,792</u></u>

2.15 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016 (previous year: Nil).

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)**2.16 : Related party disclosures**

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
i. Purchases and services from holding and other group companies:		
Dr. Reddy's Laboratories Limited	14,656	41,540
Dr. Reddy's Laboratories (Australia) Pty Limited	-	8,065
ii. Sales and services to holding and other group companies:		
Dr. Reddy's Laboratories (Australia) Pty Limited	22,302	17,602

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

Particulars	As at 31 March 2016	As at 31 March 2015
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 & other current liabilities):		
Dr. Reddy's Laboratories Limited	15,544	22,182
Dr. Reddy's Laboratories (Australia) Pty Limited	2,403	-

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 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: 9 May 2016

Dr. Reddy's Pharma SEZ Limited
Board's Report

Dear Members,

Your Directors present the 7th Board's Report of the Company for the year ended 31 March 2016.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2015-16 as compared to previous financial year:

(Rs. in thousands)

Particulars	31 March 2016	31 March 2015
Profit/(Loss) for the period after taxation	(11)	(11)
Balance brought forward	(511)	(500)
Balance carried forward to Balance Sheet	(522)	(511)

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 2016.

Transfer to reserves

No amount is proposed to be transferred to any reserves during the year under the review.

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. Hence the relevant disclosure or reporting provisions are not applicable to the Company.

Material Changes and Commitments Affecting the Financial Position of the Company

No material changes and commitments affecting the financial position of the Company, has 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 2015, 29 July 2015, 28 October 2015 and 29 January 2016.

Board of Directors

Pursuant to provisions of Section 152 of the Companies Act, 2013, Mr. Venkatanarasimham Mannam (DIN: 02677423), 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.

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 2015-16 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.

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

The 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 the Company as well. Identified key risks and internal control matters pertaining to the 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.

Related Party Transactions

The Company does not have any transactions with related parties. Hence the relevant disclosure provisions are not applicable to the Company.

Statutory Auditors

The Statutory Auditors of the Company M/s. A. Ramachandra Rao & Co., Chartered Accountants, retire at the ensuing 7th 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 2016-17 for shareholder's approval.

Board's response on auditor's qualification, reservation or adverse remark or disclaimer made

There are no qualifications, reservations or adverse remarks made by the Statutory Auditors in their report. During the year, there were no instances of frauds reported by auditors under section 143(12) of the Companies Act, 2013

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

Since the Company did not have any operations during the year, 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 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 10, 2016

Venkatanarasimham Mannam
Director

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	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)	01.04.2015	1	0	0	0	1	0
		31.03.2016	1	0	0	0	1	0
2	Mr. Venkatanarasimham Mannam (Director)	01.04.2015	1	0	0	0	1	0
		31.03.2016	1	0	0	0	1	0
3	Dr. S Chandrasekhar (Director)	01.04.2015	0	0	0	0	0	0
		31.03.2016	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.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/acrued 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, 2015)				
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, 2016)				
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 **M/S Dr Reddy's Pharma SEZ Limited**, which comprise the Balance Sheet as at March 31, 2016, and the Statement of Profit and Loss for the year ended on that date annexed thereto and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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 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; and design, implementation and maintenance of 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. 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;

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2016;
- b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- 1 As required by the Companies (Auditor's Report) Order, 2016 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 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 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, 2016, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
 - f) As required under clause (i), a separate report on the internal financial controls is annexed in Annexure-B herewith.
 - g) With respect to the other matters included in the Auditor's Report 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: 10 May 2016

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 hence para 3(i)(a)(b)(c) is not applicable.
- ii. The company does not have any inventories and hence, in our opinion, clauses 4(ii) of the Order is not applicable to the company.
- iii. Based on the information provided to us, the company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 hence, in our opinion, the Clause 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable to the company for the year.
- iv. Based on the information provided to us, the company has not given any loan, guarantee, nor provided any security in connection with a loan and hence, in our opinion, the clause 3(iv) of the Order is not applicable to the company during the year.
- 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. In our opinion and according to the information and explanations given to us, the Central Government has not prescribed maintenance of Cost Records under Section 148(1) of the Companies Act, 2013 and hence clause 3(vi) of the Order is not applicable to the Company.
- vii. (a) According to the records of the company, the company is regular in depositing the undisputed statutory dues including income-tax, service tax, cess with the appropriate authorities;
(b) According to the information and explanations given to us, there are no dues of income tax, service tax, cess to be deposited on account of any dispute and hence, clause 3(vii)(b) of the Order is not applicable to the company during the year.
- viii. Based on the information provided and explanation given to us, the company has not taken any loans from banks, financial institutions, Government nor are there any debentures outstanding as at the year end and hence clause 4(viii) of the Order is not applicable to the company for the year.
- ix. According to the information and explanations given to us, the Company has not taken any term loans nor has raised any monies by way of IPO/FPO during the year and hence clause 4(iv) of the Order is not applicable to the Company for the year.

- x. 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.
- xi. The Company has not paid any managerial remuneration during the year and hence clause 3(xi) of the Order is not applicable to the Company for the year.
- xii. The Company is not a Nidhi Company as per section 406 of the Companies Act,2013. So clause 3(xii) of the Order is not applicable to the company.
- xiii. There are no transactions with related parties during the year and hence clause 4(xiii) of the Order is not applicable to the Company for the year.
- xiv. The company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, clause 3(xiv)of the Order is not applicable to the company during the year.
- xv. As per the information given to us, the company has not entered into any non-cash transactions with directors or persons connected with them during the year under review and so, clause 3(xv) of the Order is not applicable to the company during the year.
- xvi. The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and so, clause (xvi) is not applicable to this company.

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

A. Ramachandra Rao
Partner
Membership No. : 9750

Place: Hyderabad
Date: 10 May 2016

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF
M/S Dr. Reddy's Pharma SEZ Limited
[Re : Clause 2(f) of the Independent Auditors Report]

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of M/s Dr. Reddy's Pharma SEZ Limited, as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on, the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

A. Ramachandra Rao
Partner
Membership No. : 9750

Place: Hyderabad
Date: 10 May 2016

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 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	500	500
Reserves and surplus	2.2	<u>(522)</u>	<u>(511)</u>
		<u>(22)</u>	<u>(11)</u>
Current liabilities			
Other current liabilities	2.3	<u>22</u>	<u>11</u>
		<u>22</u>	<u>11</u>
	TOTAL	<u>-</u>	<u>-</u>
ASSETS			
Current assets			
Cash and bank balances		<u>-</u>	<u>-</u>
		<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: 10 May 2016

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 2016	For the year ended 31 March 2015
Total revenue		-	-
Expenses			
Other expenses	2.4	11	11
Total expenses		<u>11</u>	<u>11</u>
Profit before exceptional and extraordinary items and tax		(11)	(11)
Exceptional items		-	-
Profit before extraordinary items and tax		<u>(11)</u>	<u>(11)</u>
Extraordinary items		-	-
Loss before tax		<u>(11)</u>	<u>(11)</u>
Tax expense		-	-
Loss for the year		<u><u>(11)</u></u>	<u><u>(11)</u></u>
Earnings per share	2.6		
Basic - Par value ₹ 10/- per share		(0.22)	(0.22)
Diluted - Par value ₹ 10/- per share		(0.22)	(0.22)
Number of shares used in computing earnings per share			
Basic		50,000	50,000
Diluted		50,000	50,000

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for A Ramachandra Rao & Co.
*Chartered Accountants***for and on behalf of the Board of Directors**

ICAI FRN : 002857S

Saumen Chakraborty
DirectorA Ramachandra Rao
Partner
Membership No. 9750Place: Hyderabad
Date: 10 May 2016**Venkatanarasimham Mannam**
Director

Dr. Reddy's Pharma SEZ Limited

Cash Flow Statement

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

	For the year ended 31 March 2016	For the year ended 31 March 2015
Cash flow from operating activities		
Loss for the year	(11)	(11)
Operating profit before working capital changes	<u>(11)</u>	<u>(11)</u>
Changes in operating assets and liabilities		
Other current liabilities	11	11
Cash used in operations	<u>-</u>	<u>-</u>
Income tax paid	-	-
Net cash used in operating activities	<u>-</u>	<u>-</u>
Cash flows from/(used in) investing activities	-	-
Cash flows from/(used in) financing activities	-	-
Net decrease in cash & bank balances	<u>-</u>	<u>-</u>
Cash & bank balances at the beginning of the year	-	-
Cash & bank balances at the end of the year	<u><u>-</u></u>	<u><u>-</u></u>

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN No.: 002857S

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

Saumen Chakraborty

Director

A Ramachandra Rao

Partner

Membership No.: 9750

Place: Hyderabad

Date: 10 May 2016

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Deficit		
Balance at the beginning of the year	(511)	(500)
Add: Current year loss	(11)	(11)
Balance carried forward	<u>(522)</u>	<u>(511)</u>

2.3 Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Other current liabilities	22	11
	<u>22</u>	<u>11</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 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Auditors' remuneration	11	11
	11	11

2.5 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016 (previous year: Nil).

2.6 : Earnings per share

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Loss for the year	(11)	(11)
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)	(0.22)
Diluted Earnings/(Loss) in ₹ per share	(0.22)	(0.22)

2.7 : 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: 10 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

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 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	24,869	24,869
Reserves and surplus	2.2	12,550	5,857
		<u>37,419</u>	<u>30,726</u>
Current liabilities			
Other current liabilities	2.3	475	9,732
Short term provisions	2.4	297	-
		<u>772</u>	<u>9,732</u>
	TOTAL	<u>38,191</u>	<u>40,458</u>
ASSETS			
Non current assets			
Long term loans and advances	2.5	99	-
		<u>99</u>	<u>-</u>
Current assets			
Trade receivables	2.6	27,572	25,997
Cash and bank balances	2.7	9,918	14,370
Short term loans and advances	2.8	602	91
		<u>38,092</u>	<u>40,458</u>
	TOTAL	<u>38,191</u>	<u>40,458</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 2016

for and on behalf of the Board of Directors

Saumen Chakraborty

Director

K. Ganesh

Director

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 year ended 31 March 2016	For the year ended 31 March 2015
Income			
Service income		27,835	48,079
Revenue from operations		27,835	48,079
Other income		931	-
Total revenue		28,766	48,079
Expenses			
Employee benefits expense	2.9	9,313	39,808
Other expenses	2.10	11,917	1,065
Total expenses		21,230	40,873
Profit before tax		7,536	7,206
Tax expense			
Current tax		843	-
Profit for the year		6,693	7,206
Earnings per share			
Basic - Par value SGD 1 per share		13.39	14.41
Diluted - Par value SGD 1 per share		13.39	14.41
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

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2016

for and on behalf of the Board of Directors

Saumen Chakraborty

Director

K. Ganesh

Director

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Profit before taxation	7,536	7,206
Adjustments:		
Effect of foreign exchange (gain)/loss, net	(2,673)	271
Operating cash flows before working capital changes	4,863	7,477
<i>Changes in operating assets and liabilities</i>		
Trade receivables	505	(25,998)
Other assets and liabilities, net	(10,237)	9,790
Cash generated from / (used in) operations	(4,868)	(8,731)
Income taxes paid, net	(546)	-
Net cash from / (used in) operating activities	(5,414)	(8,731)
Cash flows from / (used in) investing activities		
Net cash used in investing activities	-	-
Cash flows from / (used in) financing activities		
Net increase / (decrease) in cash and cash equivalents	(5,414)	(8,731)
Cash and cash equivalents at the beginning of the year	14,370	23,791
Effect of foreign exchange gain/(loss) on cash and cash equivalents	962	(690)
Cash and cash equivalents at the end of the year	9,918	14,370
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	9,918	14,370
Cash and bank balances at the end of the year	9,918	14,370

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Saumen Chakraborty

Director

A Ramachandra Rao

Partner

Membership No. 9750

K. Ganesh

Director

Place: Hyderabad

Date: 9 May 2016

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	No. of equity shares	Amount	No of equity shares	Amount
Number of shares outstanding at the beginning of the year	500,000	24,869	500,000	24,869
Add: Shares issued during the year	-	-	-	-
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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Surplus / (Deficit)		
Balance at the beginning of the period	5,857	(1,349)
Add: Current period profit / (loss)	6,693	7,206
Balance carried forward	<u>12,550</u>	<u>5,857</u>

2.3 : Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Accrued expenses	475	665
Salary and bonus payable	-	6,437
Other current liabilities	-	2,630
	<u>475</u>	<u>9,732</u>

2.4 : Short term provisions

	As at 31 March 2016	As at 31 March 2015
Income tax payable	297	-
	<u>297</u>	<u>-</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)	As at 31 March 2016	As at 31 March 2015
2.5 : Long term loans and advances		
Security Deposits	99	-
	<u>99</u>	<u>-</u>
2.6 : Trade receivables		
Unsecured		
Other debts		
Considered good	27,572	25,997
	<u>27,572</u>	<u>25,997</u>
2.7 : Cash and bank balances		
	As at 31 March 2016	As at 31 March 2015
Bank balances		
In current accounts	9,918	14,370
	<u>9,918</u>	<u>14,370</u>
2.8 : Short term loans and advances		
	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Staff loans and advances	602	91
	<u>602</u>	<u>91</u>
2.9 : Employee benefits expense		
	As at 31 March 2016	As at 31 March 2015
Salaries, wages and bonus	8,658	38,599
Staff welfare expenses	655	1,209
	<u>9,313</u>	<u>39,808</u>
2.10 : Other expenses		
	As at 31 March 2016	As at 31 March 2015
Legal and professional	11,270	726
Audit fees	524	-
Foreign exchange loss, net	-	326
Travelling and conveyance	113	-
Other general expenses	10	13
	<u>11,917</u>	<u>1,065</u>

Dr. Reddy's Singapore Pte. Ltd.

Notes to Financial Statements

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

2.11 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016 (previous year: Nil).

2.12 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	As at 31 March 2016	As at 31 March 2015
Sales and services rendered to holding company or other		
Dr. Reddy's Laboratories SA	27,835	48,079

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

Particulars	As at 31 March 2016	As at 31 March 2015
Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's Laboratories SA	27,572	25,997

2.13 : The Company incorporated in Singapore, is a 100% subsidiary of Dr. Reddy's Laboratories SA.

2.14 : 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

K. Ganesh

Director

Place: Hyderabad

Date: 9 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

Dr. Reddy's Srl**Balance Sheet**

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

	Note	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	6,234	6,234
Reserves and surplus	2.2	(930,175)	(804,388)
		(923,941)	(798,154)
Non current liabilities			
Long term borrowings	2.3	894,939	791,498
		894,939	791,498
Current liabilities			
Trade payables	2.5	3,476	4,758
Other current liabilities	2.4	55,239	41,595
		58,715	46,353
	TOTAL	29,713	39,697
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	223	239
Long term loans and advances		472	-
		695	239
Current assets			
Inventories	2.7	50	-
Trade receivables	2.8	901	9,946
Cash and bank balances	2.9	22,141	20,957
Short term loans and advances	2.10	5,926	8,555
		29,018	39,458
	TOTAL	29,713	39,697

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 2016

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 2016	For the year ended 31 March 2015
Income			
Sales, net		19,921	28,287
License fees		783	55,266
Total revenue		20,704	83,553
Expenses			
Purchase of stock-in-trade (traded goods)		7,836	11,178
Changes in inventories of stock-in-trade	2.11	(50)	907
Employee benefits expense	2.12	23,346	6,328
Depreciation and amortisation expense	2.6	310	18
Other expenses	2.13	16,485	28,430
Total expenses		47,927	46,861
Profit / (Loss) before tax		(27,223)	36,692
Tax expense		-	-
Profit / (Loss) for the year		(27,223)	36,692
Earnings per share			
Basic - Par value EUR 1 per share		(274.98)	370.63
Diluted - Par value EUR 1 per share		(274.98)	370.63
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: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Profit/(loss) before taxation	(27,223)	36,692
Adjustments:		
Depreciation and amortization expense	310	18
Provision for inventory obsolescence	1,442	(456)
Reversal of provision for doubtful debts, net	(3,186)	(2,748)
Operating cash flows before working capital changes	(28,657)	33,506
<i>Changes in operating assets and liabilities</i>		
Trade receivables	13,022	11,755
Inventories	(1,489.54)	1,306
Trade payables	(1,787)	(2,362)
Other assets and liabilities, net	10,908	(105,262)
Cash generated from / (used in) operations	(8,004)	(61,058)
Income taxes paid, net	-	-
Net cash flow from / (used in) operating activities	(8,004)	(61,058)
Cash flows from / (used in) investing activities		
Proceeds from sale of fixed assets	(266)	
(Increase)/ decrease in deposit accounts (having original maturity of more than 3 months) and other bank balances	-	12,867
Net cash flow from/(used in) in investing activities	(266)	12,867
Cash flows from / (used in) financing activities		
Proceeds from / (repayment of) long term borrowings, net	6,705	32,183
Net cash used in financing activities	6,705	32,183
Net decrease in cash and cash equivalents	(1,565)	(16,008)
Cash and cash equivalents at the beginning of the year	18,941	41,717
Effect of foreign exchange gain/(loss) on cash and cash equivalents	2,503	(6,768)
Cash and cash equivalents at the end of the year	19,879	18,941
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	19,879	18,941
Other bank balances	2,262	2,016
Cash and bank balances at the end of the year	22,141	20,957

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: 9 May 2016

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Foreign currency translation reserve		
Balance at the beginning of the year	(17,198)	(202,913)
Movement during the year	<u>(98,564)</u>	<u>185,715</u>
	<u>(115,762)</u>	<u>(17,198)</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	(800,232)	(836,924)
Add: Current year profit / (loss)	<u>(27,223)</u>	<u>36,692</u>
Balance carried forward	<u>(827,455)</u>	<u>(800,232)</u>
	<u>(930,175)</u>	<u>(804,388)</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 2016	As at 31 March 2015
<i>Unsecured</i>		
Borrowings from holding company and other group companies	894,939	791,498
	<u>894,939</u>	<u>791,498</u>

2.4 : Other liabilities

	As at 31 March 2016	As at 31 March 2015
Due to holding company and other group companies	4,402	8,785
Accrued expenses	34,745	20,012
Due to statutory authorities	2,352	349
Others	13,740	12,449
	<u>55,239</u>	<u>41,595</u>

2.5 : Trade payables

	As at 31 March 2016	As at 31 March 2015
Payables to holding company and other group companies	3,476	4,758
	<u>3,476</u>	<u>4,758</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 01.04.2015	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 01.04.2015	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Office equipments	3,007	266	-	370	3,643	2,768	310	-	342	3,420	223	239
Total tangible assets (A)	3,007	266	-	370	3,643	2,768	310	-	342	3,420	223	239
Product related intangible	151,839	-	-	15,275	167,114	151,839	-	-	15,275	167,114	-	-
Other Intangibles	10,734	-	-	-	10,734	10,734	-	-	-	10,734	-	-
Total intangible assets (B)	162,573	-	-	15,275	177,848	162,573	-	-	15,275	177,848	-	-
Total (A+B)	165,580	266	-	15,645	181,491	165,341	310	-	15,617	181,268	223	239
Previous year	166,274	-	-	(694)	165,580	165,960	18	-	(637)	165,341	239	

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 2016	As at 31 March 2015
Stock-in-trade	50	-
	<u>50</u>	<u>-</u>

2.8 : Trade receivables

	As at 31 March 2016	As at 31 March 2015
Unsecured		
Debts outstanding for a period exceeding six months		
Considered doubtful	24,271	25,763
Other debts		
Considered good	901	9,946
	<u>25,172</u>	<u>35,709</u>
<i>Less</i> : Provision for doubtful debts	<u>(24,271)</u>	<u>(25,763)</u>
	<u>901</u>	<u>9,946</u>

2.9 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Cash on hand	32	32
Bank balances		
In current accounts	<u>19,847</u>	<u>18,909</u>
Cash and cash equivalents (A)	<u>19,879</u>	<u>18,941</u>
In term deposit accounts (original maturity more than 3 months)	<u>2,262</u>	<u>2,016</u>
Other bank balances (B)	<u>2,262</u>	<u>2,016</u>
Total cash and bank balances (A+B)	<u>22,141</u>	<u>20,957</u>

2.10 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Advances to material suppliers	1,170	1,042
Balances with statutory agencies	3,447	6,778
Prepaid expenses	856	541
Other advances	453	194
	<u>5,926</u>	<u>8,555</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)

2.11 : Changes in inventories of stock-in-trade

	For the year ended 31 March 2016	For the year ended 31 March 2015
<i>Opening</i>		
Stock-in-trade	-	907
<i>Closing</i>		
Stock-in-trade	<u>50</u>	<u>-</u>
<i>Net decrease in stock</i>	<u><u>(50)</u></u>	<u><u>907</u></u>

2.12 : Employee benefits expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	23,031	6,030
Staff welfare expenses	315	298
	<u><u>23,346</u></u>	<u><u>6,328</u></u>

2.13 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Legal and professional	15,901	23,166
Carriage outward	201	1,752
Selling expenses	14	721
Travelling and conveyance	572	569
Rent	-	511
Insurance	-	296
Reversal of provision for doubtful debts and advances	(3,186)	(2,748)
Other general expenses	2,984	4,163
	<u><u>16,485</u></u>	<u><u>28,430</u></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)**2.14 : Commitments and contingent liabilities**

There were no commitments or contingent liabilities as at 31 March 2016 (previous year: Nil).

2.15 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
i. Operating expense paid / payable to holding company and other group companies:		
Reddy Pharma Italia S.R.L	-	2,497
ii. Purchases and services received from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	7,540	7,802
Dr. Reddy's Laboratories (UK) Limited	344	1,304

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

Particulars	As at 31 March 2016	As at 31 March 2015
i. Due to holding company and other group companies (included in borrowings and other liabilities):		
Reddy Pharma Italia S.R.L	894,939	800,283
Dr. Reddy's Laboratories SA	4,402	-
ii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	3,476	4,758

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 under the laws of Italy, is a 100% subsidiary of Reddy Pharma Italia S.R.L

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: 9 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

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 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	583	583
Reserves and surplus	2.2	(40,681)	4,429
		<u>(40,098)</u>	<u>5,012</u>
Non current liabilities			
Long term borrowings	2.3	3,975	831
		<u>3,975</u>	<u>831</u>
Current liabilities			
Trade payables	2.4	36,963	25,996
Other current liabilities	2.5	805	752
Short term provisions	2.6	11	7,422
		<u>37,779</u>	<u>34,170</u>
	TOTAL	<u>1,656</u>	<u>40,013</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	-	1,034
Capital work-in-progress		-	380
Deferred tax assets, net		-	290
Long term loans and advances	2.8	18	-
		<u>18</u>	<u>1,704</u>
Current assets			
Inventories	2.9	149	5,736
Trade receivables	2.10	91	13,436
Cash and bank balances	2.11	1,238	17,957
Short term loans and advances	2.12	152	1,180
Other current assets	2.13	8	-
		<u>1,638</u>	<u>38,309</u>
	TOTAL	<u>1,656</u>	<u>40,013</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: 9 May 2016

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 2016	For the year ended 31 March 2015
Income			
Sales, net		46,661	81,264
Service income		-	-
Other operating revenues		-	42
Revenue from operations		46,661	81,306
Interest income		2,643	-
Total revenue		49,304	81,306
Expenses			
Purchase of stock-in-trade (traded goods)		19,571	46,721
Changes in inventories of stock-in-trade	2.14	5,587	(5,088)
Conversion charges		105	-
Employee benefits expense	2.15	15,095	9,185
Finance costs	2.16	91	69
Depreciation and amortisation expense	2.7	293	66
Other expenses	2.17	53,491	18,466
Total expenses		94,233	69,419
Profit before tax		(44,929)	11,887
Tax expense			
Current tax (benefit)/expense		(47)	7,370
Deferred tax expense/(benefit)		228	(271)
Profit for the year		(45,110)	4,788
Earnings per share			
Basic - Par value VEF 430 per share		(424,241.09)	45,029.62
Diluted - Par value VEF 430 per share		(424,241.09)	45,029.62
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 Head

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
(Loss) / Profit before taxation	(44,929)	11,887
Adjustments:		
Depreciation and amortisation expense	293	66
Impairment of fixed assets	936	
Foreign exchange loss, net	27,985	8,343
Allowance for sales returns	126	(3)
Interest income	(2,643)	-
Finance costs	91	69
Loss on sale of fixed assets, net	297	-
Provision for inventory obsolescence	2,978	-
Provision for doubtful debts, net	105	2
Operating cash flows before working capital changes	(14,761)	20,365
<i>Changes in operating assets and liabilities</i>		
Trade receivables	14,419	(16,879)
Inventories	2,609	(5,088)
Trade payables	24,273	24,198
Other assets and liabilities, net	1,260	1,460
Cash generated from operations	27,800	24,056
Income taxes paid, net	(8,309)	-
Net cash from operating activities	19,491	24,056
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	532	(1,480)
Proceeds from sale of fixed assets	26	-
Interest received	2,635	-
Net cash used in investing activities	3,193	(1,480)
Cash flows from / (used in) financing activities		
Proceeds from borrowings, net	4,347	795
Interest paid	-	(51)
Net cash from / (used in) financing activities	4,347	743
Net increase in cash and cash equivalents	27,031	23,319
Cash and cash equivalents at the beginning of the year	17,957	255
Effect of foreign exchange gain on cash and cash equivalents	(43,750)	(5,618)
Cash and cash equivalents at the end of the year	1,238	17,957
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	1,238	17,957
Other bank balances	-	-
Cash and bank balances at the end of the year	1,238	17,957

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: 9 May 2016

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Deficit		
Balance at the beginning of the year	4,429	(359)
Add: Current year profit / (loss)	<u>(45,110)</u>	<u>4,788</u>
Balance carried forward	<u>(40,681)</u>	<u>4,429</u>

2.3 : Long term borrowings

	As at 31 March 2016	As at 31 March 2015
Borrowings from holding company and other group companies:	<u>3,975</u>	<u>831</u>
	<u>3,975</u>	<u>831</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 2016	As at 31 March 2015
Payables to holding company and other group companies	35,592	24,454
Payables to others	1,371	1,542
	<u>36,963</u>	<u>25,996</u>

2.5 : Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Due to capital creditors	669	-
Salary and bonus payable	69	-
Accrued expenses	39	288
Due to statutory authorities	13	43
Others	15	421
	<u>805</u>	<u>752</u>

2.6 : Short term provisions

	As at 31 March 2016	As at 31 March 2015
Provision for employee benefits	7	-
Income tax payable	-	7,422
Allowance for sales returns	4	-
	<u>11</u>	<u>7,422</u>

2.8 : Long term loans and advances

Advance income tax, net of provision	18	-
	<u>18</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)**2.7 : Fixed assets**

Particulars	Gross Block				Depreciation / Amortization					Net Block	
	As at 01.04.2015	Additions	Deletions	As at 31.03.2016	As at 01.04.2015	For the year	Impairment	Deletions	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Leasehold improvements	252	-	-	252	4	52	196	-	252	-	248
Office equipment and Furniture &	848	227	37	1,038	62	241	740	5	1,038	-	786
Total	1,100	227	37	1,290	66	293	936	5	1,290	-	1,034
Previous year	-	1,100	-	1,100	-	66	-	-	66	1,034	-

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**2.9 : Inventories**

	As at 31 March 2016	As at 31 March 2015
Stock-in-trade	149	5,736
	<u>149</u>	<u>5,736</u>

2.10 : Trade receivables

	As at 31 March 2016	As at 31 March 2015
Unsecured		
Debts outstanding for a period exceeding six months		
Considered good	-	88
Other debts		
Considered good	92	13,348
Less : Provision for doubtful debts	(1)	-
	<u>91</u>	<u>13,436</u>

2.11 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Bank balances*		
In current accounts	71	17,957
In Term Deposit Accounts	1,167	-
	<u>1,238</u>	<u>17,957</u>

*Cash and bank balance in current accounts is subject to foreign exchange controls.

2.12 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
Considered good		
Prepaid expenses	11	273
Staff loans and advances	23	288
Advances to material suppliers	10	619
Balances with Statutory Agencies	108	-
	<u>152</u>	<u>1,180</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)**2.13 : Other current assets**

	As at 31 March 2016	As at 31 March 2015
Interest Receivable	8	-
	<u>8</u>	<u>-</u>

2.14 : Changes in inventories of stock-in-trade

	For the year ended 31 March 2016	For the year ended 31 March 2015
Opening		
Finished goods	5,736	648
Closing		
Finished goods	149	5,736
<i>Net (increase)/decrease</i>	<u>5,587</u>	<u>(5,088)</u>

2.15 : Employee benefits expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	11,070	5,213
Contribution to provident and other funds	3,327	3,403
Staff welfare expenses	698	569
	<u>15,095</u>	<u>9,185</u>

2.16 : Finance costs

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest expenses	91	69
	<u>91</u>	<u>69</u>

2.17 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Legal and professional	765	126
Conversion charges	-	247
Rates and taxes	669	1,760
Foreign exchange loss, net	43,280	8,274
Rent	331	181
Insurance	70	230
Selling expenses	5,048	6,833
Travelling and conveyance	343	220
Loss on sale of fixed assets	297	-
Other general expenses	2,688	595
	<u>53,491</u>	<u>18,466</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)

2.18 Venezuela operations

Dr. Reddy's Venezuela, C.A., is primarily engaged in the import of pharmaceutical products from the parent company and other group companies and the sale of such products in Venezuela.

In February 2015, the Venezuelan government launched an overhaul of the exchange rate system and introduced a new exchange rate mechanism. The Marginal Currency System (known as "SIMADI") is the third mechanism in the new three-tier exchange rate regime and allows for legal trading of the Venezuelan bolivar for foreign currency with fewer restrictions than other mechanisms in Venezuela (CENCOEX and SICAD).

The new second tier, SICAD, is a combination of the former second and third tiers, SICAD I and SICAD II, with an initial rate of approximately 12 VEF per USD 1.00. The first tier, the official exchange rate, is unchanged and sells dollars at 6.3 VEF per USD 1.00 for preferential goods.

Nine months ended 31 December 2015

For the nine months ended 31 December 2015, all the monetary assets and liabilities that were eligible for exchange at the CENCOEX preferential rate of 6.3 VEF per USD 1.00 and were pending for approval have been translated at such rate. The balance of the Company's monetary assets and liabilities for the nine months ended 31 December 2015, which the Company believes, may not qualify for the CENCOEX preferential rate of 6.3 VEF per USD 1.00 have been translated using the SIMADI rate. Consequently, foreign exchange loss of ₹ 7,758 and ₹ 8,434 on translation of such monetary assets and liabilities at the SIMADI rate was recorded for the nine months ended 31 December 2015 and the year ended 31 March 2015, respectively.

Update during the three months ended 31 March 2016

The economic conditions in Venezuela continued to deteriorate further during the three months ended 31 March 2016. In February 2016, the Venezuelan government announced changes to its foreign currency exchange mechanisms, including the devaluation of its official exchange rate. The following changes became effective as of 10 March 2016:

- The CENCOEX preferential rate was replaced with a new "DIPRO" rate. The DIPRO rate is only available for purchases and sales of essential items. Further, the preferential exchange rate was devalued from 6.3 VEF per USD 1.00 to 10 VEF per USD 1.00.
- The SICAD exchange rate mechanism, which last auctioned USD for approximately 13 VEF per USD 1.00, was eliminated.
- The SIMADI exchange rate mechanism was replaced with a new "DICOM" rate, which governs all transactions not subject to the DIPRO exchange rate and will fluctuate according to market supply and demand. As of 31 March 2016, the DICOM exchange rate was 272.5 VEF per USD 1.00.

The Company fully considered all the aforesaid developments, facts and circumstances and believes that it is appropriate to use the DICOM rate (i.e. 272.5 VEF per USD 1.00) for translating the monetary assets and liabilities as at 31 March 2016.

Tabulated below is the impact of the foregoing on the financial statements of the Company:

Particulars	Amount
Foreign exchange loss on account of currency devaluation and translation of monetary assets and liabilities	46,210
Impact of inventory write down, impairment of property, plant and equipment	2,491
Total impact	48,701

Including the foreign exchange loss of ₹ 8,434 recognized during the year ended 31 March 2015, the total loss recognized on account of operations in Venezuela was ₹ 57,135.

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)**2.19: Commitments and contingent liabilities**

There were no commitments or contingent liabilities as at 31 March 2016 (previous year: Nil).

2.20: Deferred taxation

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

Particulars	As at	As at
	31 March 2016	31 March 2015
Deferred tax assets / (liabilities)		
Trade receivables	-	1
Inventories	-	76
Current Liabilities	-	213
Deferred Tax Asset, net	-	290

2.21: Related party disclosures

a. The Company has the following related party transactions:

Particulars	As at	As at
	31 March 2016	31 March 2015
i. Purchases and services received from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	12,960	35,788
Dr. Reddy's Laboratories (UK) Limited	-	1,100
ii. Interest paid/payable to holding company and other group companies:		
Dr. Reddy's Laboratories SA	91	18

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

Particulars	For the year ended	For the year ended
	31 March 2016	31 March 2015
i. Due to holding company and other group companies (included in trade payables and borrowings):		
Dr. Reddy's Laboratories Limited	35,592	23,331
Dr. Reddy's Laboratories (UK) Limited	-	1,123
Dr. Reddy's Laboratories SA	3,975	831

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 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****Kolli Srinivasa Reddy**

Finance Head

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2016

DRL Impex Limited
Board's Report

Dear Members,

Your Directors present the 29th Board's Report of the Company for the year ended 31 March 2016.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2015-16 as compared to previous financial year:

(Rs. in thousands)

Particulars	31 March 2016	31 March 2015
Profit/(Loss) for the period after taxation	(20,121)	(59,709)
Balance brought forward	(740,115)	(680,406)
Balance carried forward to Balance Sheet	(760,236)	(740,115)

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 2016.

Transfer to reserves

No amount is proposed to be transferred to any reserves during the year under the review

Share Capital

During the year under review, the Authorized Share Capital of the Company increased from Rs. 5,00,000 (Rupees Five Lakhs only) divided into 50,000 (Fifty Thousand) Equity Shares of Rs.10/- each to Rs. 66,00,00,000 (Rupees Sixty Six Crores only) divided into 6,60,00,000 (Six Crores Sixty Lakhs) Equity Shares of Rs. 10/- each by further creation of 65,950,000 (Six crores Fifty Nine Lakhs Fifty Thousand) Equity Shares of Rs.10/- each.

Fixed Deposits

The Company has not accepted any deposits covered under Chapter V of the Companies Act, 2013. Hence the relevant disclosure or reporting provisions are not applicable to the Company.

Material Changes and Commitments Affecting the Financial Position of the Company

No material change and commitments affecting the financial position of the Company, has 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 guarantee during the year. Please refer note 2.13 of Notes to financial statements.

Number of Board meetings

The Company's Board met four times during the year: 9 May 2015, 29 July 2015, 28 October 2015 and 22 February 2016.

Board of Directors

Pursuant to provisions of Section 152 of the Companies Act, 2013, Mr. Venkatanarasimham Mannam (DIN: 02677423), 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.

Declaration given by the Independent Director

In accordance with Section 149(7) of the Companies Act, 2013, Mr. Garimella Venkata Rathnam and Mr. Raghu Cidambi Independent Directors have confirmed that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013.

Appointment of Directors and Remuneration Policy

The Nomination and Remuneration Committee of the Board assess candidates for the Board on a combination of parameters. These includes experience, personal and professional stature, domain expertise, specific qualification for the position and his/her independence as defined in Section 149(6) of the Companies Act, 2013. The Committee then places the details of shortlisted candidates to the Board for consideration. If the Board approves, the person gets appointed as an Additional Director, subject to the approval of members in the Company's general meeting.

Board Evaluation

The evaluation of the performance of the Board, its Committees and individual directors was undertaken during the year, on the basis of parameters determined by the Nomination and Remuneration Committee.

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 2015-16 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.

Audit Committee

The Audit Committee comprises of Mr. Saumen Chakraborty as Chairman of the Committee, Mr. Garimella Venkata Rathnam (Independent Director) and Mr. Raghu Cidambi (Independent Director).

Corporate Social Responsibility

The Company's Corporate Social Responsibility (CSR) Committee comprises of Mr. Raghu Cidambi (Independent Director) as Chairman, Mr. Saumen Chakraborty and Mr. Venkatanarasimham Mannam.

Since the average net profit for the three preceding financial years was negative, the provisions for spending of two per cent on CSR initiatives were not applicable to the Company during the year under review.

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

The 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 the 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.

Related Party Transactions

In accordance with Section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014, the particulars of contract or arrangement entered into by the Company with related parties referred to in Section 188(1) in Form AOC-2 is attached as "**Annexure I**".

The details of related party disclosures form part of the notes to the financial statements provided in this Annual Report.

Statutory Auditors

The Statutory Auditors of the Company M/s. A. Ramachandra Rao & Co., Chartered Accountants, retire at the ensuing 29th 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 2016-17 for shareholder's approval.

Board's response on auditor's qualification, reservation or adverse remark or disclaimer made

There are no qualifications, reservations or adverse remarks made by the Statutory Auditors in their report. During the year, there were no instances of frauds reported by auditors under section 143(12) of the Companies Act, 2013.

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

Since the Company did not have any operations during the year, 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 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

Saumen Chakraborty
Director

Place: Hyderabad
Date: May 10, 2016

Venkatanarasimham Mannam
Director

FORM NO. AOC – 2

(Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto**1. Details of contracts or arrangements or transactions not at arm's length basis:**

(a)	Name(s) of the related party and nature of relationship	Not Applicable
(b)	Nature of contracts/arrangements/transactions	
(c)	Duration of the contracts/arrangements/ transactions	
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
(e)	Justification for entering into such contracts or arrangements or transactions	
(f)	Date(s) of approval by the Board	
(g)	Amount paid as advances, if any	
(h)	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	

2. Details of material contracts or arrangement or transactions at arm's length basis:

(a)	Names(s) of the related party and nature of relationship	Dr. Reddy's Laboratories Limited – Holding Company
(b)	Nature of contracts/arrangements/ transactions	Interest and other current liabilities payable to holding company
(c)	Duration of the contracts/arrangements transactions	Ongoing.
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Refer Note 2.15 of the Notes to Financial Statements.
(e)	Date(s) of approval by the Board, if any	-
(f)	Amount paid as advances, if any	-

For and on behalf of the Board of Directors

Saumen Chakraborty
Director

Venkatanarasimham Mannam
Director

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN
As on the financial year ended on 31 March, 2016

[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-86
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	66,000,000	66,000,000	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	66,000,000	66,000,000	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	66,000,000	66,000,000	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	66,000,000	66,000,000(*)	100	99.92%

(*) Out of 66,000,000 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	66,000,000	100	0	0
		50,000	100	0	66,000,000	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):Feb 22, 2016 – Preferential issue to Dr. Reddy's Laboratories Limited	0	0	65,950,000	0
At the End of the year	50,000	100	66,000,000	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)	01.04.2015	1	0	0	0	1	0
		31.03.2016	1	0	0	0	1	0
2	Mr. Venkatanarasimham Mannam (Director)	01.04.2015	1	0	0	0	1	0
		31.03.2016	1	0	0	0	1	0
3	Mr. Raghu Cidambi (Independent Director)	01.04.2015	0	0	0	0	0	0
		31.03.2016	0	0	0	0	0	0
4	Mr. Garimella Venkata Rathnam (Independent Director)	01.04.2015	0	0	0	0	0	0
		31.03.2016	0	0	0	0	0	0
B. KEY MANAGEMENT PERSONNEL (KMPs)								
Nil								

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

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, 2015)				
i) Principal Amount	-	758,700,000	-	758,700,000
ii) Interest due but not paid	-	261907	-	261907
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	758,961,907	-	758,961,907
Change in Indebtedness during the financial year				
Addition	-	10,867,500	-	10,867,500
Reduction	-	659,500,000	-	659,500,000
Net Change	-	648,632,500	-	648,632,500
Indebtedness at the end of the financial year (March 31, 2016)				
i) Principal Amount	-	99,200,000	-	99,200,000
ii) Interest due but not paid	-	11,129,206	-	11,129,206
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	110,329,206	-	110,329,206

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 **Dr.Reddy's Impex Ltd**, which comprise the Balance Sheet as at March 31, 2016, and the Statement of Profit and Loss for the year ended on that date annexed thereto and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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 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; and design, implementation and maintenance of 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. 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;

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2016;
- b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- 1 As required by the Companies (Auditor's Report) Order, 2016 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 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 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, 2016, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
 - f) As required under clause (i), a separate report on the internal financial controls is annexed in Annexure-B herewith.
 - g) With respect to the other matters included in the Auditor's Report 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: 10 May 2016

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 been physically verified by the management during the year and no material discrepancies were noticed on such verification;
c) The title deeds of immovable properties of the company are held in the name of the company.
- ii. The company does not have any inventories and hence, in our opinion, clauses 4(ii) of the Order is not applicable to the company.
- iii. Based on the information provided to us, the company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 hence, in our opinion, the Clause 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable to the company for the year.
- iv. Based on the information provided to us, the company has not given any loan, guarantee, nor provided any security in connection with a loan and hence, in our opinion, the clause 3(iv) of the Order is not applicable to the company during the year.
- 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. In our opinion and according to the information and explanations given to us, the Central Government has not prescribed maintenance of Cost Records under Section 148(1) of the Companies Act, 2013 and hence clause 3(vi) of the Order is not applicable to the Company.
- vii. (a) According to the records of the company, the company is regular in depositing the undisputed statutory dues including income-tax, service tax, cess with the appropriate authorities;
(b) According to the information and explanations given to us, there are no dues of income tax, service tax, cess to be deposited on account of any dispute and hence, clause 3(vii)(b) of the Order is not applicable to the company during the year.
- viii. Based on the information provided and explanation given to us, the company has not taken any loans from banks, financial institutions, Government nor are there any debentures outstanding as at the year end and hence clause 4(viii) of the Order is not applicable to the company for the year.
- ix. According to the information and explanations given to us, the Company has not taken any term loans nor has raised any monies by way of IPO/FPO during the year and hence clause 4(iv) of the Order is not applicable to the Company for the year.

- x. 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.
- xi. The Company has not paid any managerial remuneration during the year and hence clause 3(xi) of the Order is not applicable to the Company for the year.
- xii. The Company is not a Nidhi Company as per section 406 of the Companies Act,2013. So clause 3(xii) of the Order is not applicable to the company.
- xiii. All transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards;
- xiv. The company has made preferential allotment/private placement of shares during the year under review and has complied with the requirements of Section 42 of the Companies Act,2013.
- xv. As per the information given to us, the company has not entered into any non-cash transactions with directors or persons connected with them during the year under review and so, clause 3(xv) of the Order is not applicable to the company during the year.
- xvi. The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and so, clause (xvi) is not applicable to this company.

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

A. Ramachandra Rao
Partner
Membership No. : 9750

Place: Hyderabad
Date: 10 May 2016

**ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF
M/S DRL Impex Limited
[Re : Clause 2(f) of the Independent Auditors Report]**

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of M/s DRL Impex Limited, as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on, the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

A. Ramachandra Rao
Partner
Membership No. : 9750

Place: Hyderabad
Date: 10 May 2016

DRL Impex Limited
Balance Sheet

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

	Note	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	660,000	500
Reserves and surplus	2.2	(760,236)	(740,115)
		<u>(100,236)</u>	<u>(739,615)</u>
Non current liabilities			
Long term borrowings	2.3	110,329	758,962
		<u>110,329</u>	<u>758,962</u>
Current liabilities			
Other current liabilities	2.4	4,208	820
		<u>4,208</u>	<u>820</u>
	TOTAL	<u>14,301</u>	<u>20,167</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	6,111	6,111
Deferred tax assets, net		-	2,420
Long term loans and advances	2.6	7,541	7,694
		<u>13,652</u>	<u>16,225</u>
Current assets			
Cash and bank balances	2.7	649	3,942
		<u>649</u>	<u>3,942</u>
	TOTAL	<u>14,301</u>	<u>20,167</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: 10 May 2016

for and on behalf of the Board of Directors

Saumen Chakraborty

Director

Venkatanarasimham Mannam

Director

DRL Impex Limited
Statement of Profit and Loss

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

	Note	For the year ended 31 March 2016	For the year ended 31 March 2015
Income			
License fees	2.8	-	90,757
Other income	2.9	-	29,641
Total revenue		-	120,398
Expenses			
Finance costs	2.10	12,075	35,157
Other expenses	2.11	5,626	51,281
Amortization expense		-	90,757
Total expenses		17,701	177,195
Profit / (Loss) before tax		(17,701)	(56,797)
Tax expense			
Current tax		-	2,912
Deferred tax		2,420	-
Profit / (Loss) for the year		(20,121)	(59,709)
Earnings per share			
	2.14		
Basic - Par value ₹ 10/- per share		(2.84)	(1,194.17)
Diluted - Par value ₹ 10/- per share		(2.84)	(1,194.17)
Number of shares used in computing earnings per share			
Basic		7,096,712	50,000
Diluted		7,096,712	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

Saumen Chakraborty

Director

A Ramachandra Rao

Partner

Membership No. 9750

Venkatanarasimham Mannam

Director

Place: Hyderabad

Date: 10 May 2016

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 2016	For the year ended 31 March 2015
Cash flow from operating activities		
Profit/(Loss) before tax	(17,701)	(56,797)
Adjustments:		
Finance Cost	12,075	35,157
Profit on sale of Investments	-	(29,641)
Loss on sale of fixed assets	-	51,115
Amortisation	-	90,757
Operating cash flows before working capital changes	<u>(5,626)</u>	<u>90,591</u>
<i>Changes in operating assets and liabilities</i>		
Trade receivables	-	111,757
Long term loans and advances	153	112
Other current liabilities	3,388	(88)
Cash generated from /(used in)Operations	<u>(2,085)</u>	<u>202,372</u>
Income tax paid	-	(2,912)
Net cash provided by operating activities	<u>(2,085)</u>	<u>199,460</u>
Cash flows from/(used in) investing activities		
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	<u>-</u>	<u>1,123,083</u>
Cash flows from/(used in) financing activities		
Interest paid	-	(39,736)
Proceeds from issue of shares	659,500	-
Proceeds / (Repayment) of long term borrowings	(660,708)	(1,281,816)
Cash flows used in financing activities	<u>(1,208)</u>	<u>(1,321,552)</u>
Net increase/(decrease) in cash & bank balances	<u>(3,293)</u>	<u>991</u>
Cash & bank balances at the beginning of the year	3,942	2,951
Cash & bank balances at the end of the year	<u><u>649</u></u>	<u><u>3,942</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: 10 May 2016

for and on behalf of the Board of Directors

Saumen Chakraborty

Director

Venkatanarasimham Mannam

Director

DRL Impex Limited
Significant accounting Policies

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

Note 1: Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented in accordance with the 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 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.

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 2016	As at 31 March 2015
Authorised		
66,000,000 (previous year : 50,000) equity shares of ₹ 10/- each	660,000	500
	660,000	500
Issued		
66,000,000 (previous year : 50,000) equity shares of ₹ 10/- each fully paid up	660,000	500
	660,000	500
Subscribed and paid-up		
66,000,000 (previous year : 50,000) equity shares of ₹ 10/- each fully paid up	660,000	500
	660,000	500

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

Equity Shares

Particulars	As at 31 March 2016		As at 31 March 2015	
	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	65,950,000	659,500	-	-
Number of shares outstanding at the end of the year	66,000,000	660,000	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 2016		As at 31 March 2015	
	No. of equity shares	% of equity shares	No. of equity shares	% of equity shares
Dr. Reddy's Laboratories Limited (including shares held by nominees)	66,000,000	100	50,000	100

2.2 : Reserves and surplus

	As at 31 March 2016	As at 31 March 2015
Deficit		
Balance at the beginning of the year	(740,115)	(680,406)
Add: Current year Profit / (Loss)	(20,121)	(59,709)
Balance carried forward	(760,236)	(740,115)

2.3 : Long term borrowings

	As at 31 March 2016	As at 31 March 2015
Unsecured		
Long term borrowings from holding company*	110,329	758,962
	110,329	758,962

* ₹ 659,500 of loan converted to Equity in FY16

2.4 Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Due to statutory authorities	51	674
Payable to holding company	4,000	-
Others	157	146
	4,208	820

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 01.04.2015	Additions	Deletions	As at 31.03.2016	As at 01.04.2015	For the year	Deletions	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Land	6,111	-	-	6,111	-	-	-	-	6,111	6,111
Total tangible assets (A)	6,111	-	-	6,111	-	-	-	-	6,111	6,111
Product related intangibles	-	-	-	-	-	-	-	-	-	-
Total intangible assets (B)	-	-	-	-	-	-	-	-	-	-
Total assets (A+B)	6,111	-	-	6,111	-	-	-	-	6,111	6,111
Previous year	1,378,182	-	1,372,071	6,111	136,757	90,757	227,514	-	6,111	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 2016	As at 31 March 2015
Advance tax	7,541	7,694
	<u>7,541</u>	<u>7,694</u>

2.7 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Bank balances		
In current accounts	649	3,942
	<u>649</u>	<u>3,942</u>

2.8 : Other operating revenue

	As at 31 March 2016	As at 31 March 2015
License fees	-	90,757
	<u>-</u>	<u>90,757</u>

2.9: Other Income

	As at 31 March 2016	As at 31 March 2015
Profit on sale of Current Investments, net	-	29,641
	<u>-</u>	<u>29,641</u>

2.10: Finance costs

	As at 31 March 2016	As at 31 March 2015
Interest expense	12,075	35,157
	<u>12,075</u>	<u>35,157</u>

2.11 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Legal and professional	-	147
Rates and taxes	5,615	8
Auditors' remuneration	11	11
Loss on sale of Intangible assets (see note 2.13)	-	51,115
	<u>5,626</u>	<u>51,281</u>

DRL Impex Limited
Notes to Financial Statements

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

Note 2: Notes to financial statements (continued)

2.12 : 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.

2.13 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016 (previous year: Nil).

2.14 : Earnings per share

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Profit / (Loss) for the year	(20,121)	(59,709)
Shares:		
Weighted average number of equity shares outstanding during the year - Basic	7,096,712	50,000
Weighted average number of equity shares outstanding during the year - Diluted	7,096,712	50,000
Basic Earnings/(Loss) in ₹ per share	(2.84)	(1,194.17)
Diluted Earnings/(Loss) in ₹ per share	(2.84)	(1,194.17)

2.15 : Related party transactions

a. The Company has following related party transactions:

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
i. Licence fees from holding company:		
Dr. Reddy's Laboratories Limited	-	90,757
ii. Interest payable to holding company:		
Dr. Reddy's Laboratories Limited	12,075	35,157
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 2016	As at 31 March 2015
i. Due to holding company (included in other current liabilities):		
Dr. Reddy's Laboratories Limited	4,000	-
ii. Due to holding company (included in long term borrowings):		
Dr. Reddy's Laboratories Limited	110,329	758,962

DRL Impex Limited
Notes to Financial Statements

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

Note 2: Notes to financial statements (continued)

2.16 : Comparitive 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: 10 May 2016

Venkatanarasimham Mannam

Director

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

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 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	36,985	36,985
Reserves and surplus	2.2	113,681	110,846
		<u>150,666</u>	<u>147,831</u>
Non current liabilities			
Long term borrowings	2.3	1,732	3,879
		<u>1,732</u>	<u>3,879</u>
Current liabilities			
Other current liabilities	2.4	723	1,143
		<u>723</u>	<u>1,143</u>
	TOTAL	<u>153,121</u>	<u>152,853</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	1,069	801
		<u>1,069</u>	<u>801</u>
	TOTAL	<u>153,121</u>	<u>152,853</u>

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

As per our report of even date attached

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

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

A Ramachandra Rao
Partner
Membership No. 9750

M V Ramana
Director

Place: Hyderabad
Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Income			
Other income	2.7	-	753
Total revenue		<u>-</u>	<u>753</u>
Expenses			
Other expenses	2.8	2,934	1,713
Total expenses		<u>2,934</u>	<u>1,713</u>
Loss before tax		(2,934)	(960)
Tax expense		-	-
Loss for the year		<u>(2,934)</u>	<u>(960)</u>
Earnings per share			
Basic - Par value EUR 10 per share		(52.21)	(17.08)
Diluted - Par value EUR 10 per share		(52.21)	(17.08)
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

M V Ramana

Director

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Loss before taxation	(2,934)	(960)
Adjustments:		
Foreign exchange loss /(gain), net	325	(885)
Operating cash flows before working capital changes	(2,609)	(1,845)
<i>Changes in operating assets and liabilities</i>		
Other assets and liabilities, net	(536)	390
Cash used in operations	(3,145)	(1,455)
Income taxes paid, net	-	-
Net cash used in operating activities	(3,145)	(1,455)
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	5,769	-
(Repayment)/Proceeds from long term borrowings, net	(2,460)	2,325
Net cash from financing activities	3,309	2,325
Net increase / (decrease) in cash and cash equivalents	164	870
Cash and cash equivalents at the beginning of the year	801	57
Effect of foreign exchange gain/(loss) on cash and cash equivalents	104	(126)
Cash and cash equivalents at the end of the year	1,069	801
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	1,069	801
Other bank balances	-	-
Cash and bank balances at the end of the year	1,069	801

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

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

A Ramachandra Rao

Partner

Membership No. 9750

M V Ramana

Director

Place: Hyderabad

Date: 9 May 2016

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Securities premium reserve		
Balance at the beginning of the year	122,519	122,519
Movement during the year	<u>5,769</u>	<u>-</u>
	<u>128,288</u>	<u>122,519</u>
Deficit		
Balance at the beginning of the year	(11,673)	(10,713)
Add: Current year loss	<u>(2,934)</u>	<u>(960)</u>
Balance carried forward	<u>(14,607)</u>	<u>(11,673)</u>
	<u>113,681</u>	<u>110,846</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 2016	As at 31 March 2015
Long term borrowings from holding company and other group companies	1,732	3,879
	<u>1,732</u>	<u>3,879</u>

2.4 : Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Other current liabilities	723	1,143
	<u>723</u>	<u>1,143</u>

2.5 : Non current investments

	As at 31 March 2016	As at 31 March 2015
Non current investments at cost		
<i>In Subsidiary Companies</i>		
OOO DRS LLC	152,052	152,052
	<u>152,052</u>	<u>152,052</u>

2.6 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Bank balances		
In current accounts	1,069	801
	<u>1,069</u>	<u>801</u>

2.7 : Other income

	For the year ended 31 March 2016	For the year ended 31 March 2015
Foreign exchnage gain, net	-	753
	<u>-</u>	<u>753</u>

2.8 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Legal and professional	2,572	1,692
Foreign exchnage loss, net	334	-
Other general expenses	28	21
	<u>2,934</u>	<u>1,713</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 2016 (previous year: Nil).

2.10 : Related party disclosures

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

Particulars	As at 31 March 2016	As at 31 March 2015
Due to holding company and other group companies (included in long term borrowings):		
Reddy Antilles N.V.	1,732	3,879

2.11 : Comparative figures

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

2.12 : The Company, incorporated under the laws of Netherlands, is a 100% subsidiary of Reddy Antilles N.V.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

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

M V Ramana

Director

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2016

Idea2Enterprises (India) Private Limited
Board's Report

Dear Members,

Your Directors present the 16th Board's Report of the Company for the year ended 31 March 2016.

Financial Highlights

The following table gives the financial highlights of the Company for the financial year 2015-16 as compared to previous financial year:

Particulars	31 March 2016	31 March 2015
Profit/(Loss) for the period after taxation	(11)	(6)
Balance brought forward	(14,173)	(14,167)
Balance carried forward to Balance Sheet	(14,184)	(14,173)

(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 2016.

Transfer to reserves

No amount is proposed to be transferred to any reserves during the year under the review.

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. Hence the relevant disclosure or reporting provisions are not applicable to the Company.

Material Changes and Commitments Affecting the Financial Position of the Company

No material changes and commitments affecting the financial position of the Company, has 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 2015, 29 July 2015, 28 October 2015 and 29 January 2016.

Board of Directors

Pursuant to provisions of Section 152 of the Companies Act, 2013, Mr. G V Prasad (DIN: 00057433), 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.

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 2015-16 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.

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

The 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 the Company as well. Identified key risks and internal control matters pertaining to the 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.

Related Party Transactions

In accordance with Section 134(3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014, the particulars of contract or arrangement entered into by the Company with related parties referred to in Section 188(1) in Form AOC-2 is attached as "Annexure P".

The details of related party disclosures form part of the notes to the financial statements provided in this Annual Report.

Statutory Auditors

The Statutory Auditors of the Company M/s. A. Ramachandra Rao & Co., Chartered Accountants, retire at the ensuing 16th 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 2016-17 for shareholder's approval.

Board's response on auditor's qualification, reservation or adverse remark or disclaimer made

There are no qualifications, reservations or adverse remarks made by the Statutory Auditors in their report. During the year, there were no instances of frauds reported by auditors under section 143(12) of the Companies Act, 2013

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

Since the Company did not have any operations during the year, 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 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

G V Prasad
Director

Place: Hyderabad
Date: May 10, 2016

K Satish Reddy
Director

FORM NO. AOC – 2

(Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis:

(a)	Name(s) of the related party and nature of relationship	Not Applicable
(b)	Nature of contracts/arrangements/transactions	
(c)	Duration of the contracts/arrangements/ transactions	
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	
(e)	Justification for entering into such contracts or arrangements or transactions	
(f)	Date(s) of approval by the Board	
(g)	Amount paid as advances, if any	
(h)	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188	

2. Details of material contracts or arrangement or transactions at arm's length basis:

(a)	Names(s) of the related party and nature of relationship	Dr. Reddy's Laboratories Limited – Holding Company
(b)	Nature of contracts/arrangements/ transactions	Due to holding company (included in other current liabilities)
(c)	Duration of the contracts/arrangements transactions	Ongoing.
(d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Refer Note 2.12 of the Notes to Financial Statements.
(e)	Date(s) of approval by the Board, if any	-
(f)	Amount paid as advances, if any	-

For and on behalf of the Board of DirectorsGV Prasad
DirectorK Satish Reddy
Director

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN
As on the financial year ended on 31 March, 2016

[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) FIs	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, 1 equity share held by Mr. Satish Reddy as nominee shareholder 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)	01.04.2015	0	0	0	0	0	0
		31.03.2016	0	0	0	0	0	0
2	Mr. Satish Reddy (Director) (*)	01.04.2015	1	0	0	0	1	0
		31.03.2016	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

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
Idea2 Enterprises (India) Private Limited**

Report on the Financial Statements

We have audited the accompanying financial statements of **M/S. Idea2 Enterprises (India) Private Limited**, which comprise the Balance Sheet as at March 31, 2016, and the Statement of Profit and Loss for the year ended on that date annexed thereto and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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 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; and design, implementation and maintenance of 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. 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;

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2016;
- b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- 1 As required by the Companies (Auditor's Report) Order, 2016 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 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 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, 2016, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2016, from being appointed as a director in terms of Section 164(2) of the Act.
 - f) As required under clause (i), a separate report on the internal financial controls is annexed in Annexure-B herewith .
- g) With respect to the other matters included in the Auditor's Report 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: 10 May 2016

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 been physically verified by the management during the year and no material discrepancies were noticed on such verification;
c) The title deeds of immovable properties of the company are held in the name of the company.
- ii. The company does not have any inventories and hence, in our opinion, clauses 4(ii) of the Order is not applicable to the company.
- iii. Based on the information provided to us, the company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 hence, in our opinion, the Clause 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable to the company for the year.
- iv. Based on the information provided to us, the company has not given any loan, guarantee, nor provided any security in connection with a loan and hence, in our opinion, the clause 3(iv) of the Order is not applicable to the company during the year.
- 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. In our opinion and according to the information and explanations given to us, the Central Government has not prescribed maintenance of Cost Records under Section 148(1) of the Companies Act, 2013 and hence clause 3(vi) of the Order is not applicable to the Company.
- vii. (a) According to the records of the company, the company is regular in depositing the undisputed statutory dues including income-tax, service tax, cess with the appropriate authorities;

(b) According to the information and explanations given to us, there are no dues of income tax, service tax, cess to be deposited on account of any dispute and hence, clause 3(vii)(b) of the Order is not applicable to the company during the year.
- viii. Based on the information provided and explanation given to us, the company has not taken any loans from banks, financial institutions, Government nor are there any debentures outstanding as at the year end and hence clause 4(viii) of the Order is not applicable to the company for the year.
- ix. According to the information and explanations given to us, the Company has not taken any term loans nor has raised any monies by way of IPO/FPO during the year and hence clause 4(iv) of the Order is not applicable to the Company for the year.
- x. 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.

- xi. The Company has not paid any managerial remuneration during the year and hence clause 3(xi) of the Order is not applicable to the Company for the year.
- xii. The Company is not a Nidhi Company as per section 406 of the Companies Act,2013. So clause 3(xii) of the Order is not applicable to the company.
- xiii. All transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards;
- xiv. The company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, clause 3(xiv)of the Order is not applicable to the company during the year.
- xv. As per the information given to us, the company has not entered into any non-cash transactions with directors or persons connected with them during the year under review and so, clause 3(xv) of the Order is not applicable to the company during the year.
- xvi. The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and so, clause (xvi) is not applicable to this company.

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

A. Ramachandra Rao
Partner
Membership No. : 9750

Place: Hyderabad
Date: 10 May 2016

**ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF
Idea2 Enterprises (India) Private Limited
[Re : Clause 2(f) of the Independent Auditors Report]**

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of M/s Idea2 Enterprises (India) Private Limited, as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on, the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

A. Ramachandra Rao
Partner
Membership No. : 9750

Place: Hyderabad
Date: 10 May 2016

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 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	23,778	23,778
Reserves and surplus	2.2	1,422,780	1,422,791
		<u>1,446,558</u>	<u>1,446,569</u>
Current liabilities			
Other current liabilities	2.3	3,637	3,626
Short term provisions	2.4	13	13
		<u>3,650</u>	<u>3,639</u>
	TOTAL	<u>1,450,208</u>	<u>1,450,208</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	218
Short term loans and advances	2.7	1	1
		<u>219</u>	<u>219</u>
	TOTAL	<u>1,450,208</u>	<u>1,450,208</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: 10 May 2016

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 2016	For the year ended 31 March 2015
Income			
Other income	2.8	-	5
Total revenue		<u>-</u>	<u>5</u>
Expenses			
Other expenses	2.9	11	11
Total expenses		<u>11</u>	<u>11</u>
Loss before tax		(11)	(6)
Tax expense		-	-
Loss for the year		<u>(11)</u>	<u>(6)</u>
Earnings per share	2.11		
Basic - Par value ₹ 10/- per share		(0.005)	(0.003)
Diluted - Par value ₹ 10/- per share		(0.005)	(0.003)
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

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

A Ramachandra Rao

Partner

Membership No. 9750

G V Prasad

Director

Place: Hyderabad

Date: 10 May 2016

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 2016	For the year ended 31 March 2015
Cash flow from operating activities		
Loss for the year	(11)	(6)
Adjustments:		
Interest income	-	(5)
Operating profit before working capital changes	<u>(11)</u>	<u>(11)</u>
<i>Changes in operating assets and liabilities</i>	<u>11</u>	<u>11</u>
Cash generated from Operations	-	-
Less: Income tax paid	-	-
Net cash used in operating activities	<u>-</u>	<u>-</u>
Cash flows from/(used in) investing activities		
Interest received	-	5
Net cash from investing activities	<u>-</u>	<u>5</u>
Cash flows from/(used in) financing activities	-	-
Net increase/(decrease) in cash & bank balances	<u>-</u>	<u>5</u>
Cash & bank balances at the beginning of the year	<u>218</u>	<u>213</u>
Cash & bank balances at the end of the year	<u><u>218</u></u>	<u><u>218</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: 10 May 2016

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 2016	As at 31 March 2015
Authorised		
2,500,000 (previous year : 2,500,000) equity shares of ₹ 10/- each	25,000	25,000
	25,000	25,000
Issued		
2,377,826 (previous year : 2,377,826) equity shares of ₹ 10/- each fully paid up	23,778	23,778
	23,778	23,778
Subscribed and paid-up		
2,377,826 (previous year : 2,377,826) equity shares of ₹ 10/- each fully paid up	23,778	23,778
	23,778	23,778

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

Particulars	As at 31 March 2016		As at 31 March 2015	
	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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Revaluation reserve		
Balance at the beginning of the year	1,436,964	1,436,964
Movement during the year	-	-
	1,436,964	1,436,964
Deficit		
Balance at the beginning of the year	(14,173)	(14,167)
Add: Current year loss	(11)	(6)
Balance carried forward	(14,184)	(14,173)
	1,422,780	1,422,791

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 2016	As at 31 March 2015
Due to holding company	3,600	3,600
Others	<u>37</u>	<u>26</u>
	<u>3,637</u>	<u>3,626</u>

2.4 : Short term provisions

	As at 31 March 2016	As at 31 March 2015
Provision for tax	<u>13</u>	<u>13</u>
	<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 01.04.2015	Additions	Deletions	As at 31.03.2016	As at 01.04.2015	For the year	Deletions	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
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 2016	As at 31 March 2015
Bank balances		
In current accounts	218	218
	<u>218</u>	<u>218</u>

2.7: Short-term loans and advances

	As at 31 March 2016	As at 31 March 2015
TDS receivable	1	1
	<u>1</u>	<u>1</u>

2.8: Other income

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest income	-	5
	<u>-</u>	<u>5</u>

2.9 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Auditors' remuneration	11	11
	<u>11</u>	<u>11</u>

2.10 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016

2.11 : Earnings per share

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
Loss for the year	(11)	(6)
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	(0.005)	(0.003)
Diluted Earnings/(Loss) in ₹ per share	(0.005)	(0.003)

2.12 : Related Party Transaction

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

Particulars	As at 31 March 2016	As at 31 March 2015
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: 10 May 2016

K Satish Reddy

Director

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

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 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	5,939	5,939
Reserves and surplus	2.2	<u>(3,817)</u>	<u>(5,366)</u>
		<u>2,122</u>	<u>573</u>
Non current liabilities			
Long term borrowings	2.3	<u>18,474</u>	<u>19,574</u>
		<u>18,474</u>	<u>19,574</u>
Current liabilities			
Trade payables	2.4	6,644	18,296
Other current liabilities	2.5	4,198	4,508
Short term provisions	2.6	<u>3,472</u>	<u>3,035</u>
		<u>14,314</u>	<u>25,839</u>
	TOTAL	<u>34,910</u>	<u>45,986</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	9,960	11,439
Capital work-in-progress		253	308
Deferred tax assets, net	2.19	1,708	1,402
Long term loans and advances	2.8	<u>9</u>	<u>11</u>
		<u>11,930</u>	<u>13,160</u>
Current assets			
Inventories	2.9	10,185	8,047
Trade receivables	2.10	8,614	19,767
Cash and bank balances	2.11	445	1,621
Short term loans and advances	2.12	<u>3,736</u>	<u>3,391</u>
		<u>22,980</u>	<u>32,826</u>
	TOTAL	<u>34,910</u>	<u>45,986</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 2016

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 2016	For the year ended 31 March 2015
Income			
Sales, net		39,484	48,754
Other operating revenues		139	480
Revenue from operations		39,623	49,234
Other income	2.13	1,356	1,567
Total revenue		40,979	50,801
Expenses			
Cost of material consumed (including packing material consumed)		25,184	26,188
Changes in inventories of finished goods and work-in-progress	2.14	(4,002)	252
Employee benefits expense	2.15	6,792	7,892
Finance costs	2.16	1,665	1,880
Depreciation expense	2.7	1,123	1,155
Other expenses	2.17	7,913	9,024
Total expenses		38,675	46,391
Profit/(Loss) before tax		2,304	4,410
Tax expense			
Current tax		1,144	900
Deferred tax (benefit) / expense		(391)	939
Profit/(Loss) for the year		1,551	2,571

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 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Profit before taxation	2,304	4,410
Adjustments:		
Depreciation and amortisation expense	1,123	1,155
Foreign exchange (gain), net	(1,650)	(1,771)
Interest income	(7)	(156)
Finance costs	1,665	1,880
(Profit) on sale of fixed assets, net	(10)	(12)
Provision for inventory obsolescence	1,076	1,661
Provision for doubtful debts, net	2	-
Provision / (reversal of provision) for doubtful advances, net	45	-
Operating cash flows before working capital changes	4,548	7,167
<i>Changes in operating assets and liabilities</i>		
Trade receivables	11,816	(9,395)
Inventories	(3,786)	(3,709)
Trade payables	(10,774)	4,961
Other assets and liabilities, net	(787)	4,244
Cash generated from / (used in) operations	1,016	3,269
Income taxes paid, net	(431)	(102)
Net cash from / (used in) operating activities	585	3,166
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(326)	(919)
Proceeds from sale of tangible and intangible assets	163	53
Interest received	7	156
Net cash used in investing activities	(156)	(710)
Cash flows from / (used in) financing activities		
Interest paid	(1,529)	(1,750)
Net cash from / (used in) financing activities	(1,529)	(1,750)
Net increase / (decrease) in cash and cash equivalents	(1,100)	706
Cash and cash equivalents at the beginning of the year	1,621	1,088
Effect of foreign exchange loss on cash and cash equivalents	(76)	(173)
Cash and cash equivalents at the end of the year	445	1,621
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	445	1,621
Other bank balances	-	-
Cash and bank balances at the end of the year	445	1,621

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 2016

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Foreign currency translation reserve		
Balance at the beginning of the year	(11)	(233)
Movement during the year	<u>(2)</u>	<u>222</u>
	<u>(13)</u>	<u>(11)</u>
Deficit		
Balance at the beginning of the year	(5,355)	(7,926)
Add: Current year profit / (loss)	<u>1,551</u>	<u>2,571</u>
Balance carried forward	<u>(3,804)</u>	<u>(5,355)</u>
	<u>(3,817)</u>	<u>(5,366)</u>

2.3 : Borrowings

	As at 31 March 2016	As at 31 March 2015
a) Long term borrowings		
Unsecured		
Borrowings from holding company and other group companies	<u>18,474</u>	<u>19,574</u>
	<u>18,474</u>	<u>19,574</u>

2.4 : Trade payables

	As at 31 March 2016	As at 31 March 2015
Payables to holding company and other group companies	4,950	17,452
Payables to others	<u>1,694</u>	<u>844</u>
	<u>6,644</u>	<u>18,296</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 2016	As at 31 March 2015
Due to capital creditors	273	140
Due to holding company and other group companies	3	108
Accrued expenses	1,216	1,577
Salary and bonus payable	74	78
Others	2,632	2,605
	<u>4,198</u>	<u>4,508</u>

2.6 : Short term provisions

	As at 31 March 2016	As at 31 March 2015
Income tax payable	1,412	945
Provision for employee benefits	2,060	2,090
	<u>3,472</u>	<u>3,035</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)

2.8 : Long term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Capital advances for purchase of fixed assets	-	1
Security deposits	9	10
	<u>9</u>	<u>11</u>

2.9 : Inventories

(Valued on weighted average basis)

	As at 31 March 2016	As at 31 March 2015
Raw materials	3,616	5,471
Work-in-progress	2,526	1,816
Finished goods	3,292	-
Stores and spares	619	629
Packing materials	132	131
	<u>10,185</u>	<u>8,047</u>

2.10 : Trade receivables

	As at 31 March 2016	As at 31 March 2015
Unsecured		
Debts outstanding for a period exceeding six months		
Considered good	2	3
Considered doubtful	2	2
Other debts		
Considered good	5,558	6,416
Receivables from holding company and other group companies	3,054	9,767
	<u>8,616</u>	<u>16,188</u>
Less : Provision for doubtful debts	(2)	(2)
	<u>8,614</u>	<u>16,186</u>

2.11 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Bank balances		
In current accounts	445	1,621
	<u>445</u>	<u>1,621</u>

2.12 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Advances to material suppliers	1,579	973
Staff loans and advances	4	4
Balances with statutory agencies	1,943	2,065
Prepaid expenses	253	348
Other advances	1	1
	<u>3,780</u>	<u>3,391</u>
Less : Provision for doubtful loans and advances	(44)	-
	<u>3,736</u>	<u>3,391</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 01.04.2015	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 01.04.2015	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Land	3,383	-	-	(220)	3,163	-	-	-	-	-	3,163	3,383
Building	1,803	-	-	(112)	1,691	766	63	-	(49)	780	911	1,037
Plant and machinery	13,190	279	1	(813)	12,655	6,623	778	1	(448)	6,952	5,703	6,567
Furniture and fixtures	714	1	-	(40)	675	634	37	-	(10)	661	14	80
Vehicles	299	71	82	(22)	266	94	58	48	(7)	97	169	205
Office equipment	570	30	409	(28)	163	403	51	290	(1)	163	-	167
Total Tangible Assets (A)	19,959	381	492	(1,235)	18,613	8,520	987	339	(515)	8,653	9,960	11,439
Other Intangibles	-	134	-	3	137	-	136	-	1	137	-	-
Total Intangible Assets (B)	-	134	-	3	137	-	136	-	1	137	-	-
Total (A+B)	19,959	514	492	(1,232)	18,750	8,520	1,123	339	(514)	8,789	9,960	11,439
Previous year	21,600	840	121	(2,360)	19,959	8,430	1,155	80	(985)	8,520	11,439	

Industrias Químicas 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 2016	For the year ended 31 March 2015
Interest income	7	156
Profit on sale of fixed assets, net	10	12
Foreign exchange gain, net	1,339	1,399
	<u>1,356</u>	<u>1,567</u>

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

	For the year ended 31 March 2016	For the year ended 31 March 2015
<i>Opening</i>		
Work-in-progress	<u>1,816</u>	<u>2,068</u>
	1,816	2,068
<i>Closing</i>		
Work-in-progress	2,526	1,816
Finished goods	<u>3,292</u>	<u>-</u>
	<u>5,818</u>	<u>1,816</u>
<i>Net (increase)/ decrease</i>	<u>(4,002)</u>	<u>252</u>

2.15 : Employee benefits expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	6,378	7,433
Contribution to provident and other funds	19	31
Staff welfare expenses	<u>395</u>	<u>428</u>
	<u>6,792</u>	<u>7,892</u>

2.16 : Finance costs

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest expenses	<u>1,665</u>	<u>1,880</u>
	<u>1,665</u>	<u>1,880</u>

2.17 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Consumption of Stores and spare parts	-	611
Legal and professional	271	314
Carriage outward	869	741
Rates and taxes	86	104
Selling expenses	34	22
Repairs and maintenance		
Buildings	-	2
Plant and machinery	2,653	3,053
Others	987	631
Power and fuel	2,168	2,545
Travelling and conveyance	40	47
Rent	2	8
Insurance	141	152
Auditors' remuneration	47	45
Provision on advances and receivables	47	-
Other general expenses	566	749
	<u>7,913</u>	<u>9,024</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 2016 is ₹9 (previous year: ₹48).

2.19 : Deferred taxation

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

Particulars	As at	As at
	31 March 2016	31 March 2015
Deferred tax assets / (liabilities)		
Trade receivables	-	141
Current assets	(77)	-
Current liabilities	787	543
Inventories	1,014	742
Fixed assets	(16)	(24)
Deferred tax asset, net	1,708	1,402

2.20 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended	For the year ended
	31 March 2016	31 March 2015
i. Interest paid / payable to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	1,664	1,873
ii. Sales and services rendered to holding company and other group companies:		
Dr. Reddy's Laboratories (EU) Limited	31	362
Dr. Reddy's Laboratories Inc.	5,998	5,146
Dr. Reddy's Laboratories SA	6,202	23,536
Dr. Reddy's Laboratories Limited	483	1,016
Dr. Reddy's Laboratories (UK) Limited	193	118
iii. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	14,359	15,539
Dr. Reddy's Laboratories (EU) Limited	-	9
Dr. Reddy's Laboratories SA	-	81

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 2016	31 March 2015
i. Due from holding company and other group companies (included in trade receivables):		
Dr. Reddy's Laboratories Inc.	1,774	-
Dr. Reddy's Laboratories Limited	358	289
Dr. Reddy's Laboratories SA	892	9,312
Dr. Reddy's Laboratories (EU) Limited	29	166
Dr. Reddy's Laboratories (UK) Limited	-	-
ii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	4,949	17,368
Dr. Reddy's Laboratories SA	1	84
iii. Due to holding company and other group companies (included in borrowings and other liabilities):		
Dr. Reddy's Laboratories Limited	18,474	19,636
Dr. Reddy's Laboratories (EU) Limited	3	46

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: 9 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

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 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	7,905	7,905
Reserves and surplus	2.2	13,361	8,645
		<u>21,266</u>	<u>16,550</u>
Non current liabilities			
Deferred tax liabilities, net		8	-
		<u>8</u>	<u>-</u>
Current liabilities			
Trade payables	2.3	4,694	3,515
Other current liabilities	2.4	5,934	4,577
		<u>10,628</u>	<u>8,092</u>
	TOTAL	<u>31,902</u>	<u>24,642</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	3,217	3,360
Intangible assets	2.5	84	102
Capital work-in-progress		104	203
Deferred tax assets, net	2.17	-	11
Long term loans and advances	2.6	1,097	1,472
		<u>4,502</u>	<u>5,148</u>
Current assets			
Inventories	2.7	4,307	3,325
Trade receivables	2.8	7,039	5,019
Cash and bank balances	2.9	14,181	9,668
Short term loans and advances	2.10	869	594
Other current assets	2.11	1,004	888
		<u>27,400</u>	<u>19,494</u>
	TOTAL	<u>31,902</u>	<u>24,642</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 2016

for and on behalf of the Board of Directors

Satish Reddy

Director

Abhijeet Mukherjee

Director

Kunshan Rotam Reddy Pharmaceuticals Co. Ltd.**Statement of Profit and Loss**

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

	Note	For the year ended 31 March 2016	For the year ended 31 March 2015
Income			
Sales, net		42,149	33,576
Other operating revenues		-	134
Revenue from operations		42,149	33,710
Other income	2.12	112	58
Total revenue		42,261	33,768
Expenses			
Cost of material consumed (including packing material consumed)		9,565	6,148
Changes in inventories of finished goods and work-in-progress	2.13	(876)	244
Conversion charges		975	-
Employee benefits expense	2.14	9,971	8,267
Depreciation and amortization expense	2.5	417	469
Other expenses	2.15	15,874	13,762
Total expenses		35,926	28,889
Profit before tax		6,335	4,879
Tax expense			
Current tax		1,885	651
Deferred tax expense		16	23
Profit for the year		4,434	4,205

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: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Profit before taxation	6,335	4,879
Adjustments:		
Depreciation and amortisation expense	417	469
Interest income	(112)	(58)
Operating cash flows before working capital changes	6,640	5,290
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(1,939)	(602)
Inventories	(927)	634
Trade payables	1,121	(2,007)
Other assets and liabilities, net	1,095	2,969
Cash generated from operations	5,990	6,283
Income taxes paid, net	(1,664)	(1,335)
Net cash from operating activities	4,326	4,948
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(172)	(1,021)
Proceeds from sale of tangible and intangible assets	93	82
Interest received	112	58
Net cash used in investing activities	33	(881)
Cash flows from / (used in) financing activities		
Net cash from / (used in) financing activities	-	-
Net increase in cash and cash equivalents	4,359	4,068
Cash and cash equivalents at the beginning of the year	9,668	5,275
Effect of foreign exchange gain on cash and cash equivalents	154	325
Cash and cash equivalents at the end of the year	14,181	9,668
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	14,181	9,668
Other bank balances	-	-
Cash and bank balances at the end of the year	14,181	9,668

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 2016

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Foreign currency translation reserve		
Balance at the beginning of the year	2,543	1,916
Movement during the year	<u>282</u>	<u>627</u>
	<u>2,825</u>	<u>2,543</u>
Surplus / (Deficit)		
Balance at the beginning of the year	6,102	1,897
Add: Current year profit	<u>4,434</u>	<u>4,205</u>
Balance carried forward	<u>10,536</u>	<u>6,102</u>
	<u>13,361</u>	<u>8,645</u>

2.3 : Trade payables

	As at 31 March 2016	As at 31 March 2015
Trade payable	<u>4,694</u>	<u>3,515</u>
	<u>4,694</u>	<u>3,515</u>

2.4 : Other liabilities

	As at 31 March 2016	As at 31 March 2015
Other current liabilities	<u>5,934</u>	<u>4,577</u>
	<u>5,934</u>	<u>4,577</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 01.04.2015	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 01.04.2015	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Land	518	-	-	-	518	160	-	-	-	160	358	358
Vehicles	124	39	-	2	165	118	9	-	2	129	36	6
Building	3,335	186	-	74	3,595	1,781	219	-	17	2,017	1,578	1,554
Plant and machinery	1,620	-	93	27	1,554	720	21	-	14	755	799	901
Laboratory equipment	1,024	37	-	18	1,079	578	117	-	11	706	373	446
Office equipment	317	9	-	9	335	221	34	-	7	262	73	96
Total tangible assets (A)	6,938	271	93	130	7,246	3,579	400	-	51	4,029	3,217	3,360
Trademarks	147	-	-	-	147	45	17	-	-	62	84	102
Total intangible assets (B)	147	-	-	-	147	45	17	-	-	62	84	102
Total (A+B)	7,085	271	93	130	7,393	3,624	417	-	51	4,091	3,301	3,461
Previous year	6,186	942	355	314	7,087	3,252	469	273	177	3,625	3,463	

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 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Advance tax, net of provision for income taxes	1,097	1,472
	<u>1,097</u>	<u>1,472</u>

2.7 : Inventories

(Valued on weighted average basis)

	As at 31 March 2016	As at 31 March 2015
Raw materials	311	206
Work-in-progress	2,656	1,301
Finished goods	1,255	1,734
Stores and spares	85	84
	<u>4,307</u>	<u>3,325</u>

2.8 : Trade receivables

	As at 31 March 2016	As at 31 March 2015
Unsecured		
Debts outstanding for a period exceeding six months		
Considered doubtful	-	131
Other debts		
Considered good	7,039	5,019
	<u>7,039</u>	<u>5,150</u>
<i>Less</i> : Provision for doubtful debts	-	(131)
	<u>7,039</u>	<u>5,019</u>

2.9 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Cash on hand	5	4
Bank balances	-	
In current accounts	3,190	6,843
In term deposit accounts	10,986	2,821
	<u>14,181</u>	<u>9,668</u>

2.10 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Prepaid expenses	46	73
Other advances	823	521
	<u>869</u>	<u>594</u>

2.11 : Other current assets

	As at 31 March 2016	As at 31 March 2015
<i>Considered good</i>		
Claims receivable & others	1,004	888
	<u>1,004</u>	<u>888</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 2016	For the year ended 31 March 2015
Interest income		
On other deposits	112	58
Foreign exchange gain, net	-	-
	<u>112</u>	<u>58</u>

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

	For the year ended 31 March 2016	For the year ended 31 March 2015
<i>Opening</i>		
Work-in-progress	1,301	1,369
Finished goods	<u>1,734</u>	<u>1,910</u>
	<u>3,035</u>	<u>3,279</u>
<i>Closing</i>		
Work-in-progress	2,656	1,301
Finished goods	<u>1,255</u>	<u>1,734</u>
	<u>3,911</u>	<u>3,035</u>
<i>Net increase</i>	<u>(876)</u>	<u>244</u>

2.14 : Employee benefits expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	9,567	7,945
Contribution to provident and other funds	140	95
Staff welfare expenses	264	227
	<u>9,971</u>	<u>8,267</u>

2.15 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Consumption of Stores and spare parts and other materials	121	189
Other research and deveolopment expenses	79	193
Legal and professional	30	4
Rates and taxes	763	575
Selling expenses	11,291	7,774
Travelling and conveyance	2,015	2,539
Insurance	12	8
Foreign exchnage loss, net	194	1
Other general expenses	<u>1,369</u>	<u>2,478</u>
	<u>15,874</u>	<u>13,762</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 2016 is `24 (previous year: `82).

2.17 : Deferred taxation

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

Particulars	As at	As at
	31 March 2016	31 March 2015
Deferred tax assets / (liabilities)		
Inventories	(50)	(24)
Fixed Assets	42	35
Deferred tax asset/(liability), net	(8)	11

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: 9 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

Lacock Holdings Limited**Balance Sheet**

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

	Note	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,330	1,330
Reserves and surplus	2.2	167,662	150,029
		<u>168,992</u>	<u>151,359</u>
Current liabilities			
Other current liabilities	2.3	515	747
Short term provisions	2.4	22,250	20,351
		<u>22,765</u>	<u>21,098</u>
	TOTAL	<u>191,757</u>	<u>172,457</u>
ASSETS			
Current assets			
Cash and bank balances	2.5	191,735	172,436
Other current assets	2.6	22	21
		<u>191,757</u>	<u>172,457</u>
	TOTAL	<u>191,757</u>	<u>172,457</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 2016

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 2016	For the year ended 31 March 2015
Income			
Other income	2.7	504	131,771
Total revenue		<u>504</u>	<u>131,771</u>
Expenses			
Finance costs	2.8	-	108,881
Other expenses	2.9	1,326	1,379
Total expenses		<u>1,326</u>	<u>110,260</u>
Profit/(Loss) before tax		(822)	21,511
Tax expense			
Current tax		-	2,844
Profit/(Loss) for the year		<u><u>(822)</u></u>	<u><u>18,667</u></u>
Earnings per share			
Basic - Par value EUR 1.71 per share		(51.29)	1,164.29
Diluted - Par value EUR 1.71 per share		(51.29)	1,164.29
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

for and on behalf of the Board of Directors

A Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

K Ganesh
Director

Place: Hyderabad
Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
(Loss)/profit before taxation	(822)	21,511
Adjustments:		
Interest income	(504)	(131,771)
Finance costs	-	108,881
Operating cash flows before working capital changes	(1,326)	(1,379)
<i>Changes in operating assets and liabilities</i>		
Other assets and liabilities, net	(297)	(29,903)
Cash generated used in operations	(1,623)	(31,282)
Income taxes paid, net	(556)	(4,102)
Net cash used in operating activities	(2,179)	(35,384)
Cash flows from / (used in) investing activities		
Loans and advances repaid by holding company and other group companies, net	-	27,096,038
Interest received	504	3
Net cash from / (used in) investing activities	504	27,096,041
Cash flows from / (used in) financing activities		
Proceeds from issuance of share capital	-	-
Proceeds from/ (repayment of) long term borrowings, net	-	(26,922,534)
Net cash from / (used in) financing activities	-	(26,922,534)
Net increase / (decrease) in cash and cash equivalents	(1,675)	138,123
Cash and cash equivalents at the beginning of the year	172,436	7,407
Effect of foreign exchange gain on cash and cash equivalents	20,974	26,906
Cash and cash equivalents at the end of the year	191,735	172,436
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	191,735	172,436
Other bank balances	-	-
Cash and bank balances at the end of the year	191,735	172,436

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 2016

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Foreign currency translation reserve		
Balance at the beginning of the year	8,232,359	8,266,773
Movement during the year	18,455	(34,414)
	8,250,814	8,232,359
Securities premium reserve		
Balance at the beginning of the year	16,144,590	16,144,590
Movement during the year	-	-
	16,144,590	16,144,590
(Deficit) / Surplus		
Balance at the beginning of the year	(24,226,920)	(24,245,587)
Add: Current year profit / (loss)	(822)	18,667
Balance carried forward	(24,227,742)	(24,226,920)
	167,662	150,029

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 : Other current liabilities**

	As at 31 March 2016	As at 31 March 2015
Other current liabilities	515	747
	<u>515</u>	<u>747</u>

2.4 : Short term provisions

	As at 31 March 2016	As at 31 March 2015
Income tax payable	22,250	20,351
	<u>22,250</u>	<u>20,351</u>

2.5 : Non current investments

	As at 31 March 2016	As at 31 March 2015
Non current investments at cost		
<i>In Subsidiary Companies</i>		
Reddy Pharma Italia S.R.L	62,794	62,794
Less: Provision for decline, other than temporary, in the value of non current investments	<u>(62,794)</u>	<u>(62,794)</u>
	<u>-</u>	<u>-</u>

2.6 : Long term loans and advances

	As at 31 March 2016	As at 31 March 2015
<i>Unsecured</i>		
<i>Considered doubtful</i>		
Loan to holding company and other group companies	1,183,325	1,054,547
Less : Provision for loan to holding company and other group companies	<u>(1,183,325)</u>	<u>(1,054,547)</u>
	<u>-</u>	<u>-</u>

2.7 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Bank balances		
In current accounts	4,989	6,477
In term deposit accounts (original maturity less than 3 months)	186,746	165,959
	<u>191,735</u>	<u>172,436</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)**2.8 : Other current assets**

	As at 31 March 2016	As at 31 March 2015
<i>Considered good</i>		
Other current assets	<u>22</u>	<u>21</u>
	<u><u>22</u></u>	<u><u>21</u></u>

2.9 : Other income

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest income	<u>504</u>	<u>131,771</u>
	<u><u>504</u></u>	<u><u>131,771</u></u>

2.10 : Finance costs

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest expenses	<u>-</u>	<u>108,881</u>
	<u><u>-</u></u>	<u><u>108,881</u></u>

2.11 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Legal and professional	890	982
Bank charges	65	68
Audit fees	<u>371</u>	<u>329</u>
	<u><u>1,326</u></u>	<u><u>1,379</u></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)

2.12 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016 (previous year: Nil).

2.13 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
i. Interest income from holding company and other group companies:		
Reddy Holding GmbH	-	131,768
ii. Interest expense paid / payable to holding company and other group companies:		
Dr. Reddy's Laboratories SA	-	108,881

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

Particulars	As at 31 March 2016	As at 31 March 2015
i. Due from holding company and other group companies (included in long term loans and advances):		
Reddy Pharma Italia S.R.L	1,183,325	1,054,547
ii. Provisions outstanding on dues from holding company and other group companies:		
Reddy Pharma Italia S.R.L	1,183,325	1,054,547

2.14 : Comparative figures

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

2.15 : 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

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2016

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

Satish Reddy

Director

K Ganesh

Director

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

OctoPlus B.V.**Balance Sheet**

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

	Note	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	451,292	451,292
Reserves and surplus	2.2	751,083	602,187
		<u>1,202,375</u>	<u>1,053,479</u>
Non current liabilities			
Long term borrowings	2.3	1,307,818	1,976,813
		<u>1,307,818</u>	<u>1,976,813</u>
Current liabilities			
Trade payables		30,445	-
Other current liabilities	2.4	1,157,886	154,656
		<u>1,188,331</u>	<u>154,656</u>
	TOTAL	<u>3,698,524</u>	<u>3,184,948</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	351,185	341,807
		<u>351,185</u>	<u>341,807</u>
Current assets			
Cash and bank balances	2.6	56,950	25,053
Short term loans and advances	2.7	3,290,389	2,818,088
		<u>3,347,339</u>	<u>2,843,141</u>
	TOTAL	<u>3,698,524</u>	<u>3,184,948</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.

for and on behalf of the Board of Directors

Chartered Accountants

ICAI FRN : 002857S

Sameer Natu

Director

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Income			
Other income	2.8	151,032	152,827
Total revenue		151,032	152,827
Expenses			
Employee benefits expense	2.9	(21,468)	12,147
Finance costs		104,801	111,161
Depreciation and amortization expense	2.5	31,026	33,252
Other expenses	2.10	17,261	26,238
Total expenses		131,620	182,797
Loss before tax		19,412	(29,970)
Tax expense	2.12		
Deferred tax		-	1,061
Loss for the year		19,412	(31,031)
Earnings per share			
Basic - Par value EUR 0.12 per share		0.37	(0.59)
Diluted - Par value EUR 0.12 per share		0.37	(0.59)
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**

Sameer Natu

Director

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Profit / (Loss) before tax	19,412	(29,970)
Adjustments:		
Depreciation and amortisation expense	31,026	33,252
Interest expenses on borrowings	78,973	96,520
Operating cash flows before working capital changes	129,411	99,801
<i>Changes in operating assets and liabilities</i>		
Other assets and liabilities, net	842,718	(917,844)
Cash generated from operations	972,129	(818,043)
Income taxes paid, net	-	-
Net cash used in operating activities	972,129	(818,043)
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	-	(523)
Net cash from / (used in) investing activities	-	(523)
Cash flows from / (used in) financing activities		
(Repayment) / Proceeds from long term borrowings, net	(890,200)	847,357
Interest paid	(54,237)	(61,523)
Net cash from financing activities	(944,437)	785,834
Net decrease in cash and cash equivalents	27,692	(32,733)
Cash and cash equivalents at the beginning of the year	25,052	65,756
Effect of foreign exchange gain/(loss) on cash and cash equivalents	4,206	(7,971)
Cash and cash equivalents at the end of the year	56,950	25,052
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	56,950	25,052
Other bank balances	-	-
Cash and bank balances at the end of the year	56,950	25,052

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: 9 May 2016

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Foreign currency translation reserve		
Balance at the beginning of the period	(29,872)	215,176
Movement during the period	<u>129,484</u>	<u>(245,048)</u>
	<u>99,612</u>	<u>(29,872)</u>
Securities premium reserve		
Balance at the beginning of the period	4,009,738	4,009,738
Movement during the period	<u>4,009,738</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	(2,920,217)	(2,889,186)
Add: Current period loss	<u>19,412</u>	<u>(31,031)</u>
Balance carried forward	<u>(2,900,805)</u>	<u>(2,920,217)</u>
	<u>751,083</u>	<u>602,187</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 2016	As at 31 March 2015
Long term maturities of finance lease obligation	460,726	436,287
Borrowings from holding company and other group companies	847,092	1,540,526
	<u>1,307,818</u>	<u>1,976,813</u>

2.4 : Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Current portion of finance lease obligation	28,839	23,527
Accrued expenses	-	323
Salary and bonus payable	-	19,955
Due to statutory authorities	-	35
Due to holding company and other group companies	1,129,047	83,834
Others	-	26,982
	<u>1,157,886</u>	<u>154,656</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)

2.5 : Fixed assets

Description	Gross Block					Depreciation					Net Block	
	As at 01.04.2015	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 01.04.2015	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Building (finance lease)	403,059			49,220	452,279	61,252	31,026		8,816	101,094	351,185	341,807
Total tangible assets (A)	403,059	-	-	49,220	452,279	61,252	31,026	-	8,816	101,094	351,185	341,807
Previous year	515,166	523	-	(96,611)	419,078	59,612	33,252	-	(15,592)	77,272	341,807	

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 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Bank balances		
In current accounts	<u>56,950</u>	<u>25,053</u>
	<u>56,950</u>	<u>25,053</u>

2.7 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Advances to holding company and other group companies	3,258,720	2,770,665
Balances with Statutory Agencies	5,284	23,581
Prepaid expenses	<u>26,385</u>	<u>23,842</u>
	<u>3,290,389</u>	<u>2,818,088</u>

2.8 : Other income

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest income	151,032	151,352
Foreign exchange gain, net	<u>-</u>	<u>1,475</u>
	<u>151,032</u>	<u>152,827</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)

Note 2: Notes to financial statements (continued)

2.9 : Employee benefits expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	<u>(21,468)</u>	<u>12,147</u>
	<u>(21,468)</u>	<u>12,147</u>

2.10 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Legal and professional	-	-
Selling expenses	17	1,317
Rent	16,609	16,375
Insurance	139	7,626
Foreign exchange loss, net	14	-
Other general expenses	<u>482</u>	<u>920</u>
	<u>17,261</u>	<u>26,238</u>

2.11 : 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 2016 is ₹10,899 (previous year: ₹ 10,824).

2.12 : 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)

2.13 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	As at 31 March 2016	As at 31 March 2015
i. Interest paid to / payable holding company and other group companies:		
Reddy Netherlands B.V.	24,537	34,996
OctoPlus Sciences B.V.	4,167	4,228
OctoPlus Development B.V.	21,447	9,227
OctoPlus PolyActive Sciences B.V.	7	7
Dr. Reddy's Laboratories SA	-	1,177
ii. Interest received / receivable from holding company and other group companies:		
OctoShare B.V.	31,270	30,544
OctoPlus Technologies B.V.	87,548	88,553
Chienna B.V.	32,006	32,254

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

Particulars	As at 31 March 2016	As at 31 March 2015
i. Due from holding company and other group companies (included in short term loans and advances):		
OctoShare B.V.	696,600	554,090
OctoPlus Technologies B.V.	1,876,207	1,590,645
Chienna B.V.	685,913	581,516
OctoPlus Development B.V.	-	44,415
ii. Due to holding company and other group companies (included in other current liabilities):		
OctoPlus Sciences B.V.	89,292	75,702
OctoPlus Development B.V.	1,039,599	8,000
OctoPlus PolyActive Sciences B.V.	156	132
iii. Due to holding company and other group companies (included in long term borrowings):		
Reddy Netherlands B.V.	847,092	1,540,526

2.14: Comparative figures

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

2.15: 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: 9 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

OctoPlus Development B.V.**Balance Sheet**

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

	Note	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,296	1,296
Reserves and surplus	2.2	2,315,281	1,400,130
		2,316,577	1,401,426
Non current liabilities			
Long term borrowings	2.3	3,733	6,487
		3,733	6,487
Current liabilities			
Trade payables	2.4	21,852	31,609
Other current liabilities	2.5	461,461	687,665
Short term provisions		4,273	-
		487,586	719,274
	TOTAL	2,807,896	2,127,188
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	499,077	543,857
Intangible assets	2.6	-	12
Capital work-in-progress		12,580	23,384
		511,657	567,252
Current assets			
Inventories	2.7	3,080	14,712
Trade receivables	2.8	51,526	641,796
Cash and bank balances	2.9	27,392	181,574
Short term loans and advances	2.10	2,081,205	710,830
Other current assets	2.11	133,036	11,024
		2,296,239	1,559,936
	TOTAL	2,807,896	2,127,188

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: 9 May 2016

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 2016	For the year ended 31 March 2015
Income			
Service income		1,407,909	1,521,378
Revenue from operations		1,407,909	1,521,378
Other income	2.12	66,970	54,498
Total revenue		1,474,879	1,575,876
Expenses			
Cost of material consumed (including packing material consumed)		155,256	119,249
Employee benefits expense	2.13	215,235	306,744
Finance costs	2.14	19,259	24,228
Depreciation and amortization expense	2.6	148,488	177,411
Other expenses	2.15	223,331	408,593
Total expenses		761,569	1,036,225
Profit before tax		713,310	539,651
Tax expense	2.18	-	-
Profit for the period		713,310	539,651
Earnings per share			
Basic - Par value EUR 1 per share		39,300.83	29,732.85
Diluted - Par value EUR 1 per share		39,300.83	29,732.85
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: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Profit before tax	713,310	539,651
Adjustments:		
Depreciation and amortisation expense	148,488	177,411
Interest income	(256)	-
Provision for inventory obsolescence	9,569	4,985
Operating cash flows before working capital changes	871,111	722,047
<i>Changes in operating assets and liabilities</i>		
Trade receivables	648,711	(499,925)
Inventories	3,326	86,821
Trade payables	(13,076)	(30,510)
Other assets and liabilities, net	(1,641,455)	1,353
Cash generated from operations	(131,383)	279,787
Income taxes paid, net	-	-
Net cash from operating activities	(131,383)	279,787
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(35,162)	(71,207)
Interest received	256	
Net cash used in investing activities	(34,906)	(71,207)
Cash flows from / (used in) financing activities		
(Repayment of) /proceeds from long term borrowings, net	(3,059)	815
Net cash from / (used in) financing activities	(3,059)	815
Net increase / (decrease) in cash and cash equivalents	(169,348)	209,395
Cash and cash equivalents at the beginning of the year	181,574	22
Effect of foreign exchange gain on cash and cash equivalents	15,166	(27,843)
Cash and cash equivalents at the end of the year	27,392	181,574
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	27,392	181,574
Other bank balances	-	-
Cash and bank balances at the end of the year	27,392	181,574

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: 9 May 2016

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Foreign currency translation reserve		
Balance at the beginning of the period	(197,305)	89,721
Movement during the period	<u>201,841</u>	<u>(287,026)</u>
	<u>4,536</u>	<u>(197,305)</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>
Surplus		
Balance at the beginning of the period	463,655	(75,996)
Add: Current period profit	<u>713,310</u>	<u>539,651</u>
Balance carried forward	<u>1,176,965</u>	<u>463,655</u>
	<u>2,315,281</u>	<u>1,400,130</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 2016	As at 31 March 2015
Long term maturities of finance lease obligations	3,733	6,487
	<u>3,733</u>	<u>6,487</u>

2.4 : Trade Payables

	As at 31 March 2016	As at 31 March 2015
Trade payable	21,852	31,609
	<u>21,852</u>	<u>31,609</u>

2.5 : Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Accrued expenses	78,602	75,170
Current maturities of finance lease obligations	3,351	2,665
Due to statutory authorities	7,425	3,186
Due to holding company and other group companies	258,481	454,834
Due to capital creditors	9,230	15,850
Salary and bonus payable	11,607	974
Others	92,765	134,986
	<u>461,461</u>	<u>687,665</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 01.04.2015	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 01.04.2015	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Plant and machinery												
Owned	550,545	-	-	70,258	620,803	182,556	95,306	-	28,827	306,689	314,114	367,989
Assets taken under finance lease	24,971	-	-	-	24,971	20,068	-	-	-	20,068	4,903	4,903
Laboratory equipment	196,641	37,208	-	25,743	259,592	43,172	45,799	-	8,439	97,409	162,183	153,469
Office equipment												
Owned	19,541	4,428	-	3,335	27,304	2,053	7,383	-	-	9,436	17,868	17,488
Assets taken under finance lease	1,112	-	-	-	1,112	1,103	-	-	-	1,103	9	9
Total tangible assets (A)	792,810	41,636	-	99,336	933,782	248,952	148,488	-	37,266	434,706	499,077	543,857
Intangibles	3,160	-	-	-	3,160	3,148	-	-	12	3,160	-	12
Total intangible assets (B)	3,160	-	-	-	3,160	3,148	-	-	12	3,160	-	12
Total (A+B)	795,970	41,636	-	99,336	936,942	252,100	148,488	-	37,278	437,866	499,077	543,869
Previous year	753,557	216,694	7,085	(167,196)	795,969	128,537	177,387	7,085	(46,740)	252,100	543,869	

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 : Inventories**

(Valued on weighted average basis)

	As at 31 March 2016	As at 31 March 2015
Raw materials	3,080	14,712
	<u>3,080</u>	<u>14,712</u>

2.8 : Trade receivables

	As at 31 March 2016	As at 31 March 2015
Unsecured		
Other debts		
Considered good	51,526	641,796
	<u>51,526</u>	<u>641,796</u>

2.9 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Cash on hand	3	12
Bank balances		
In current accounts	27,389	13,509
In term deposit accounts	-	168,053
	<u>27,392</u>	<u>181,574</u>

2.10 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
Considered good		
Advances to holding company and other group companies	2,052,512	620,078
Advances to material suppliers	161	1,162
Prepaid expenses	8,987	9,470
Balances with Statutory Agencies	19,530	80,104
Other Advances	15	16
	<u>2,081,205</u>	<u>710,830</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)

2.11 : Other current assets

	As at 31 March 2016	As at 31 March 2015
<i>Considered good</i>		
Claims receivable	-	10,660
Other current assets	-	364
Receivables from holding and other group companies	133,036	
	<u>133,036</u>	<u>11,024</u>

2.12 : Other income

	As at 31 March 2016	As at 31 March 2015
Foreign exchange gain, net	655	2,843
Interest income	62,375	51,655
Other Income	3,940	-
	<u>66,970</u>	<u>54,498</u>

2.13 : Employee benefits expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	215,235	306,744
	<u>215,235</u>	<u>306,744</u>

2.14 : Finance costs

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest expense	19,259	24,228
	<u>19,259</u>	<u>24,228</u>

2.15 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Legal and professional	19,070	3,646
Carriage outward	7,309	12,111
Travelling and conveyance	14,070	-
Insurance	8,430	-
Repairs and maintenance	94,277	54,730
Power and fuel	26,979	12,594
Rates and taxes	4,189	3,299
Other selling expenses	6,480	8,554
Communication	8,478	10,583
Rent	3,488	15,451
Other general expenses	30,561	287,625
	<u>223,331</u>	<u>408,593</u>

OctoPlus Development B.V.

Notes to Financial Statements

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

Note 2: Notes to financial statements (continued)

2.16 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016 (previous year: Nil).

2.17 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
i. Sales and services rendered to holding company and other group companies:		
Dr. Reddy's Laboratories Limited	1,275,843	1,071,303
Dr. Reddy's Laboratories SA	17,271	11,899
ii. Interest received / receivable from holding company and other group companies:		
OctoPlus B.V.	21,447	9,227
OctoPlus Sciences B.V.	3,538	3,369
Chienna B.V.	28,640	22,546
OctoPlus Technologies B.V.	8,286	720
iii. Interest paid / payable to holding company and other group companies:		
OctoShare B.V.	18,625	24,228
iv. Reimbursement of operating and other expenses by holding company and other group companies:		
Dr. Reddy's Laboratories Limited	340	-

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

Particulars	As at 31 March 2016	As at 31 March 2015
i. Due from holding company and other group companies (included in short term loans and advances and trade receivables):		
OctoPlus B.V.	1,039,599	8,000
OctoPlus Sciences B.V.	78,983	63,729
OctoPlus PolyActive Sciences B.V.	3	3
Chienna B.V.	673,654	463,551
Dr. Reddy's Laboratories Limited	47,900	534,861
OctoPlus Technologies B.V.	260,273	84,795
Dr. Reddy's Laboratories SA	3,626	4,017
ii. Due to holding company and other group companies (included in other current liabilities):		
OctoShare B.V.	258,481	410,419
OctoPlus B.V.	-	44,415

2.18 : 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.

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)

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 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: 9 May 2016

INDEPENDENT AUDITOR'S REPORT

To the Members of **OctoPlus Poly Active Sciences B.V.**

We have audited the accompanying financial statements of **OctoPlus Poly Active Sciences B.V.**, a company incorporated and administered outside India, which comprises the Balance Sheet as at 31 March 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

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 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,285	1,285
Reserves and surplus	2.2	85	(81)
		<u>1,370</u>	<u>1,204</u>
Current liabilities			
Other current liabilities	2.3	3	3
		<u>3</u>	<u>3</u>
	TOTAL	<u>1,373</u>	<u>1,207</u>
ASSETS			
Current assets			
Short term loans and advances	2.4	1,373	1,207
		<u>1,373</u>	<u>1,207</u>
	TOTAL	<u>1,373</u>	<u>1,207</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: 9 May 2016

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 2016	For the year ended 31 March 2015
Income			
Interest income		7	7
Total revenue		<u>7</u>	<u>7</u>
Total expenses		<u>-</u>	<u>-</u>
Profit before tax		7	7
Tax expense	2.7	-	-
Profit for the period		<u><u>7</u></u>	<u><u>7</u></u>
Earnings per share			
Basic - Par value EUR 1 per share		0.40	0.41
Diluted - Par value EUR 1 per share		0.40	0.41
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: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Profit before tax	7	7
Operating cash flows before working capital changes	<u>7</u>	<u>7</u>
<i>Changes in operating assets and liabilities</i>		
Other assets and liabilities, net	<u>(7)</u>	<u>(7)</u>
Cash generated from / (used in) operations	-	-
Income taxes paid, net	-	-
Net cash from / (used in) operating activities	<u>-</u>	<u>-</u>
Cash flows from / (used in) investing activities	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>-</u>	<u>-</u>
Cash flows from / (used in) financing activities	<u>-</u>	<u>-</u>
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: 9 May 2016

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Foreign currency translation reserve		
Balance at the beginning of the period	(80)	198
Movement during the period	<u>160</u>	<u>(278)</u>
	<u>80</u>	<u>(80)</u>
Deficit		
Balance at the beginning of the period	(2)	(9)
Add: Current year profit	<u>7</u>	<u>7</u>
Balance carried forward	<u>5</u>	<u>(2)</u>
	<u>85</u>	<u>(81)</u>

2.3 Other current liabilities

	As at 31 March 2016	As at 31 March 2015
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 2016	As at 31 March 2015
<i>Considered good</i>		
Advances to holding company and other group companies	1,362	1,207
Others	11	-
	1,373	1,207

2.5 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016 (previous year: Nil).

2.6 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
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.	156	132
OctoPlus Sciences B.V.	1,206	1,075
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: 9 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

OctoPlus Sciences B.V.**Balance Sheet**

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

	Note	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,285	1,285
Reserves and surplus	2.2	49,486	66,000
		<u>50,771</u>	<u>67,285</u>
Current liabilities			
Other current liabilities	2.3	87,932	69,821
		<u>87,932</u>	<u>69,821</u>
	TOTAL	<u>138,703</u>	<u>137,106</u>
ASSETS			
Non current assets			
Fixed assets			
Intangible assets	2.4	17,284	35,003
		<u>17,284</u>	<u>35,003</u>
Current assets			
Cash and bank balances	2.5	283	1,190
Short term loans and advances	2.6	121,136	100,913
		<u>121,419</u>	<u>102,103</u>
	TOTAL	<u>138,703</u>	<u>137,106</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: 9 May 2016

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 2016	For the year ended 31 March 2015
Income			
Interest income		5,449	5,525
Total revenue		5,449	5,525
Expenses			
Finance costs		3,814	3,649
Amortization expense	2.4	21,084	22,604
Other expenses	2.7	4,261	6,201
Total expenses		29,159	32,454
Loss before tax		(23,710)	(26,929)
Tax expense	2.10	-	-
Loss for the period		(23,710)	(26,929)
Earnings per share			
Basic - Par value EUR 1 per share		(1,317.22)	(1,496.06)
Diluted - Par value EUR 1 per share		(1,317.22)	(1,496.06)
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: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Loss before tax	(23,710)	(26,929)
Adjustments:		
Depreciation and amortisation expense	21,084	22,604
Operating cash flows before working capital changes	(2,626)	(4,325)
<i>Changes in operating assets and liabilities</i>		
Other assets and liabilities, net	1,615	5,697
Cash generated from / (used in) operations	(1,011)	1,373
Income taxes paid, net	-	-
Net cash from / (used in) operating activities	(1,011)	1,373
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	(1,011)	1,373
Cash and cash equivalents at the beginning of the year	1,190	3
Effect of foreign exchange gain/(loss) on cash and cash equivalents	104	(186)
Cash and cash equivalents at the end of the year	283	1,190
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	283	1,190
Other bank balances	-	-
Cash and bank balances at the end of the year	283	1,190

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: 9 May 2016

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Foreign currency translation reserve		
Balance at the beginning of the year	5,233	22,556
Movement during the period	<u>7,196</u>	<u>(17,323)</u>
	<u>12,429</u>	<u>5,233</u>
Securities premium reserve		
Balance at the beginning of the year	340,526	340,526
Movement during the period	<u>340,526</u>	<u>-</u>
	<u>340,526</u>	<u>340,526</u>
General reserve		
Balance at the beginning of the year	(92,375)	(92,375)
Movement during the period	<u>-</u>	<u>-</u>
	<u>(92,375)</u>	<u>(92,375)</u>
Deficit		
Balance at the beginning of the year	(187,384)	(160,455)
Add: Current year loss	<u>(23,710)</u>	<u>(26,929)</u>
Balance carried forward	<u>(211,094)</u>	<u>(187,384)</u>
	<u>49,486</u>	<u>66,000</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)

2.3 : Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Due to holding company and other group companies	86,107	69,821
Others	1,825	-
	<u>87,932</u>	<u>69,821</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 01.04.2015	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 01.04.2015	For the year / period	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Intangibles	80,011			9,772	89,783	45,008	21,084		6,407	72,499	17,284	35,003
Total	80,011	-	-	9,772	89,783	45,008	21,084	-	6,407	72,499	17,284	35,003
Previous year	98,463	-	-	(18,452)	80,011	31,269	22,604	-	(8,865)	45,008	35,003	

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 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Bank balances		
In current accounts	283	1,190
	283	1,190

2.6 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Advances to holding company and other group companies	117,045	98,898
Balances with Statutory Agencies	203	281
Prepaid expenses	2,359	1,734
Other advances recoverable in cash or in kind or for value to be received	1,529	-
	121,136	100,913

2.7 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Legal and professional	4,256	6,184
Other general expenses	5	17
	4,261	6,201

2.8 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016 (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)

2.9 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
i. Interest received / receivable from holding company and other group companies:		
OctoShare B.V.	405	405
OctoPlus B.V.	4,167	4,228
OctoPlus Technologies B.V.	877	892
ii. Interest paid / payable to holding company and other group		
OctoPlus Development B.V.	3,538	3,369
Chienna B.V.	276	280

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

Particulars	As at 31 March 2016	As at 31 March 2015
i. Due from holding company and other group companies (included in short term loans and advances):		
OctoShare B.V.	8,953	7,258
OctoPlus B.V.	89,292	75,702
OctoPlus Technologies B.V.	18,800	15,938
ii. Due to holding company and other group companies (included in other current liabilities):		
OctoPlus Development B.V.	78,983	63,729
OctoPlus PolyActive Sciences B.V.	1,206	1,075
Chienna B.V.	5,917	5,016

2.10 : 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.

2.11 : 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

Place: Hyderabad

Date: 9 May 2016

OctoPlus B.V.

Director

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

OctoPlus Technologies B.V.**Balance Sheet**

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

	Note	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,428	1,428
Reserves and surplus	2.2	<u>(3,819,167)</u>	<u>(3,078,090)</u>
		<u>(3,817,739)</u>	<u>(3,076,662)</u>
Current liabilities			
Other current liabilities	2.3	3,814,415	3,078,920
Short term provisions	2.4	<u>5,508</u>	<u>4,584</u>
		<u>3,819,923</u>	<u>3,083,504</u>
	TOTAL	<u>2,186</u>	<u>6,842</u>
ASSETS			
Current assets			
Cash and bank balances	2.5	2,069	3,661
Short term loans and advances	2.6	<u>117</u>	<u>3,181</u>
		<u>2,186</u>	<u>6,842</u>
	TOTAL	<u>2,186</u>	<u>6,842</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.**
DirectorPlace: Hyderabad
Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Total revenue		-	-
Expenses			
Employee benefits expense	2.7	150,949	160,262
Finance costs	2.8	171,451	166,116
Other expenses	2.9	2,088	3,304
Total expenses		<u>324,488</u>	<u>329,682</u>
Loss before tax		(324,488)	(329,682)
Tax expense	2.12	-	-
Loss for the period		<u>(324,488)</u>	<u>(329,682)</u>
Earnings per share			
Basic - Par value EUR 1 per share		(16,224.38)	(16,484.11)
Diluted - Par value EUR 1 per share		(16,224.38)	(16,484.11)
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.**

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: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Loss before tax	(324,488)	(329,682)
Operating cash flows before working capital changes	(324,488)	(329,682)
<i>Changes in operating assets and liabilities</i>		
Trade receivables	-	1,261
Trade payables	-	(3,173)
Other assets and liabilities, net	322,530	335,739
Cash generated from operations	(1,958)	4,145
Income taxes paid, net	-	-
Net cash from operating activities	(1,958)	4,145
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	(1,958)	4,145
Cash and cash equivalents at the beginning of the year	3,661	82
Effect of foreign exchange gain/(loss) on cash and cash equivalents	366	(566)
Cash and cash equivalents at the end of the year	2,069	3,661
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	2,069	3,661
Other bank balances	-	-
Cash and bank balances at the end of the year	2,069	3,661

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: 9 May 2016

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Foreign currency translation reserve		
Balance at the beginning of the period	185,232	(502,203)
Movement during the period	<u>(416,589)</u>	<u>687,435</u>
	<u>(231,357)</u>	<u>185,232</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	(2,527,341)	(2,197,659)
Add: Current period loss	<u>(324,488)</u>	<u>(329,682)</u>
Balance carried forward	<u>(2,851,829)</u>	<u>(2,527,341)</u>
	<u>(3,819,167)</u>	<u>(3,078,090)</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)

2.3 : Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Due to holding company and other group companies	3,756,313	3,051,188
Accrued expenses	9,126	8,562
Due to statutory authorities	3,179	2,468
Others	45,797	16,702
	<u>3,814,415</u>	<u>3,078,920</u>

2.4 : Short term provisions

	As at 31 March 2016	As at 31 March 2015
Provision for employee benefits	5,508	4,584
	<u>5,508</u>	<u>4,584</u>

2.5 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Bank balances		
In current accounts	2,069	3,661
	<u>2,069</u>	<u>3,661</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)

2.6 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Balances with Statutory Agencies	-	3,181
Staff loans and advances	117	-
	<u>117</u>	<u>3,181</u>

2.7 : Employee benefits expense

	For the period 31 March 2016	For the period 31 March 2015
Salaries, wages and bonus	144,311	154,530
Contribution to provident and other funds	5,326	4,891
Staff welfare expenses	1,312	841
	<u>150,949</u>	<u>160,262</u>

2.8 : Finance costs

	For the period 31 March 2016	For the period 31 March 2015
Interest expenses	171,451	166,116
	<u>171,451</u>	<u>166,116</u>

2.9 : Other expenses

	For the period 31 March 2016	For the period 31 March 2015
Communication	23	-
Travelling and conveyance	2,055	2,870
Selling expenses	-	264
Bank charges	10	32
Other general expenses	-	138
	<u>2,088</u>	<u>3,304</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)**2.10 : Commitments and contingent liabilities**

There were no commitments or contingent liabilities as at 31 March 2016 (previous year: Nil).

2.11 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
i. Interest paid / payable to holding company and other group companies:		
OctoPlus B.V.	87,548	88,553
OctoPlus Sciences B.V.	877	892
Chienna B.V.	11,256	11,422
OctoShare B.V.	63,485	64,528
OctoPlus Development B.V.	8,286	720

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

Particulars	As at 31 March 2016	As at 31 March 2015
i. Due to holding company and other group companies (included in other current liabilities):		
OctoPlus B.V.	1,876,207	1,590,645
OctoPlus Sciences B.V.	18,800	15,938
Chienna B.V.	241,281	204,502
OctoShare B.V.	1,359,753	1,155,308
OctoPlus Development B.V.	260,273	84,795

2.12 : 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.

2.13 : 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 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: 9 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

OctoShare B.V.
Balance Sheet

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

	Note	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	2,472	2,472
Reserves and surplus	2.2	703,967	740,696
		706,439	743,168
Current liabilities			
Other current liabilities	2.3	910,989	820,505
Short term provisions	2.4	3,022	5,350
		914,011	825,855
	TOTAL	1,620,450	1,569,022
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	-	2
Long term loans and advances	2.6	335	298
		335	300
Current assets			
Cash and bank balances	2.7	1,881	2,995
Short term loans and advances	2.8	1,618,234	1,565,727
		1,620,115	1,568,722
	TOTAL	1,620,450	1,569,022

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 2016

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

OctoPlus B.V.

Director

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 2016	For the year ended 31 March 2015
Other income	2.9	82,110	88,766
Total revenue		<u>82,110</u>	<u>88,766</u>
Expenses			
Employee benefits expense	2.10	161,305	206,293
Finance costs		40,398	39,769
Depreciation and amortization expense	2.5	2	62
Other expenses	2.11	2,624	15,931
Total expenses		<u>204,329</u>	<u>262,055</u>
Loss before tax		(122,219)	(173,288)
Tax expense	2.14	-	-
Loss for the period		<u><u>(122,219)</u></u>	<u><u>(173,288)</u></u>
Earnings per share			
Basic - Par value EUR 1 per share		(3,528.47)	(5,002.84)
Diluted - Par value EUR 1 per share		(3,528.47)	(5,002.84)
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: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Loss before tax	(122,219)	(173,288)
Adjustments:		
Depreciation and amortisation expense	2	62
Operating cash flows before working capital changes	(122,217)	(173,226)
<i>Changes in operating assets and liabilities</i>		
Other assets and liabilities, net	120,797	176,561
Cash generated from operations	(1,420)	3,335
Income taxes paid, net	-	-
Net cash from operating activities	(1,420)	3,335
Cash flows from / (used in) investing activities		
Net cash from / (used in) investing activities	-	-
Cash flows from / (used in) financing activities		
Net cash used in financing activities	-	-
Net increase in cash and cash equivalents	(1,420)	3,335
Cash and cash equivalents at the beginning of the year	2,996	128
Effect of foreign exchange gain on cash and cash equivalents	307	(467)
Cash and cash equivalents at the end of the year	1,883	2,996
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	1,883	2,996
Other bank balances	-	-
Cash and bank balances at the end of the year	1,883	2,996

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: 9 May 2016

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 2016	As at 31 March 2015
Authorised		
174,800 shares (previous year : 174,800) of Euro 1 each	<u>12,480</u>	<u>12,480</u>
Issued		
34,638 shares (previous year : 34,638) of Euro 1 each	<u>2,472</u>	<u>2,472</u>
Subscribed and paid-up		
34,638 shares (previous year : 34,638) of Euro 1 each	<u>2,472</u>	<u>2,472</u>
	<u>2,472</u>	<u>2,472</u>

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

Particulars	As at 31 March 2016		As at 31 March 2015	
	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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Foreign currency translation reserve		
Balance at the beginning of the period	32,068	215,065
Movement during the period	<u>85,491</u>	<u>(182,997)</u>
	<u>117,559</u>	<u>32,068</u>
General reserve		
Balance at the beginning of the period	893,173	893,173
Movement during the period	<u>-</u>	<u>-</u>
	<u>893,173</u>	<u>893,173</u>
Surplus / (Deficit)		
Balance at the beginning of the period	(184,545)	(11,257)
Add: Current period loss	<u>(122,219)</u>	<u>(173,288)</u>
Balance carried forward	<u>(306,764)</u>	<u>(184,545)</u>
	<u>703,967</u>	<u>740,696</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)**2.3 : Other current liabilities**

	As at 31 March 2016	As at 31 March 2015
Accrued expenses	5,914	10,523
Due to statutory authorities	12,392	90,584
Due to holding company and other group companies	892,647	719,320
Others	36	78
	<u>910,989</u>	<u>820,505</u>

2.4 : Short term provisions

	As at 31 March 2016	As at 31 March 2015
Provision for employee benefits	3,022	5,350
	<u>3,022</u>	<u>5,350</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 01.04.2015	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 01.04.2015	For the year / period	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Office equipment	565			69	634	563	2		69	634	-	2
Total	565	-	-	69	634	563	2	-	69	634	-	2
Previous year	695	-	-	(130)	565	627	62	-	(125)	563	2	

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

Unsecured	As at 31 March 2016	As at 31 March 2015
<i>Considered good</i>		
Security deposits	335	298
	<u>335</u>	<u>298</u>

2.7 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Bank balances		
In current accounts	1,881	2,995
	<u>1,881</u>	<u>2,995</u>

2.8 : Short term loans and advances

Unsecured	As at 31 March 2016	As at 31 March 2015
<i>Considered good</i>		
Advances to holding company and other group companies	1,618,234	1,565,727
	<u>1,618,234</u>	<u>1,565,727</u>

2.9 : Other income

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest income	82,110	88,766
	<u>82,110</u>	<u>88,766</u>

2.10 : Employee benefits expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	153,066	195,011
Contribution to provident and other funds	7,876	10,648
Staff welfare expenses	363	634
	<u>161,305</u>	<u>206,293</u>

2.11 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Selling expenses	62	836
Repairs and Maintenance Expenses	4	53
Travelling and conveyance	2,087	14,236
Other general expenses	471	806
	<u>2,624</u>	<u>15,931</u>

2.12 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016 (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 2016	For the year ended 31 March 2015
i. Interest received from holding company and other group companies:		
OctoPlus Development B.V.	18,625	24,238
OctoPlus Technologies B.V.	63,485	64,528
ii. Interest paid to holding company and other group companies:		
OctoPlus B.V.	31,270	30,544
OctoPlus Sciences B.V.	405	405
Chienna B.V.	8,722	8,820

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

Particulars	As at 31 March 2016	As at 31 March 2015
i. Due from holding company and other group companies (included in short term loans and advances):		
OctoPlus Development B.V.	258,481	410,419
OctoPlus Technologies B.V.	1,359,752	1,155,308
ii. Due to holding company and other group companies (included in other current liabilities):		
OctoPlus B.V.	696,600	554,090
OctoPlus Sciences B.V.	8,953	7,258
Chienna B.V.	187,093	157,971

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: 9 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended ,and a summary of the 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,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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

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 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	718	718
Reserves and surplus	2.2	20,086	18,519
		<u>20,804</u>	<u>19,237</u>
Non current liabilities			
Long term borrowings	2.3	577	930
Other long term liabilities		39	37
		<u>616</u>	<u>967</u>
Current liabilities			
Trade payables	2.4	56,580	59,856
Other current liabilities	2.5	14,625	11,643
Short term provisions	2.6	524	575
		<u>71,729</u>	<u>72,074</u>
	TOTAL	<u><u>93,149</u></u>	<u><u>92,278</u></u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.7	3,594	3,060
Deferred tax assets, net	2.20	3,180	2,877
Long term loans and advances	2.8	1,226	735
		<u>8,000</u>	<u>6,672</u>
Current assets			
Inventories	2.9	33,516	28,924
Trade receivables	2.10	41,252	43,764
Cash and bank balances	2.11	2,377	1,946
Short term loans and advances	2.12	2,010	2,625
Other current assets	2.13	5,994	8,347
		<u>85,149</u>	<u>85,606</u>
	TOTAL	<u><u>93,149</u></u>	<u><u>92,278</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**

Charles Bulhmann

Director

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Income			
Sales, net		103,798	141,205
Service income		24,266	33,097
Other operating revenues		32	9
Revenue from operations		128,096	174,311
Other income	2.14	2,366	6,559
Total revenue		130,462	180,870
Expenses			
Purchase of stock-in-trade (traded goods)		100,391	115,347
Changes in inventories of work-in-progress and stock-in-trade	2.15	(4,592)	10,543
Employee benefits expense	2.16	14,732	19,860
Finance costs	2.17	542	665
Depreciation expense	2.7	988	960
Other expenses	2.18	16,356	21,090
Total expenses		128,417	168,465
Profit before tax		2,045	12,405
Tax expense			
Current tax		1,052	2,810
Deferred tax benefit		(574)	(1,112)
Profit for the year		1,567	10,707
Earnings per share			
Basic - Par value RUB 1 per share		3.38	23.13
Diluted - Par value RUB 1 per share		3.38	23.13
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: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Profit before taxation	2,045	12,405
Adjustments:		
Depreciation and amortisation expense	988	960
Effect of foreign exchange gain, net	(2,330)	(5,988)
Interest income	(31)	(36)
Finance costs	542	665
(Profit) / Loss on sale of fixed assets, net	(27)	(26)
Provision for inventory obsolescence	-	267
Provision / (reversal of provision) for doubtful debts, net	-	(1,763)
Provision for doubtful advances, net	3	6
Operating cash flows before working capital changes	1,190	6,489
<i>Changes in operating assets and liabilities</i>		
Trade receivables	(790)	(12,537)
Inventories	(4,592)	10,278
Trade payables	2,019	(10,463)
Other assets and liabilities, net	6,097	11,187
Cash generated from operations	3,924	4,954
Income taxes paid, net	(1,506)	(4,254)
Net cash from operating activities	2,418	701
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	(1,540)	(482)
Proceeds from sale of tangible and intangible assets	46	199
Loans and advances given to holding company and other group companies, net	(16)	(18)
Interest received	-	6
Net cash used in investing activities	(1,510)	(295)
Cash flows from / (used in) financing activities		
Repayment of long term borrowings, net	(163)	(375)
Interest paid	(542)	(665)
Net cash used in financing activities	(705)	(1,040)
Net increase / (decrease) in cash and cash equivalents	203	(634)
Cash and cash equivalents at the beginning of the year	1,946	3,006
Effect of foreign exchange loss / (gain) on cash and cash equivalents	228	(426)
Cash and cash equivalents at the end of the year	2,377	1,946
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	2,377	1,946
Other bank balances	-	-
Cash and bank balances at the end of the year	2,377	1,946

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Charles Bulhmann

Director

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2016

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Surplus		
Balance at the beginning of the year	18,519	7,812
Add: Current year profit / (loss)	<u>1,567</u>	<u>10,707</u>
	<u>20,086</u>	<u>18,519</u>

2.3 : Long term borrowings

	As at 31 March 2016	As at 31 March 2015
Long term maturities of finance lease obligations	<u>577</u>	<u>930</u>
	<u>577</u>	<u>930</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 2016	As at 31 March 2015
Payables to holding company and other group companies	56,580	59,196
Payables to others	-	660
	<u>56,580</u>	<u>59,856</u>

2.5 : Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Accrued expenses	13,176	10,232
Current maturities of finance lease obligations	550	467
Salary and bonus payable	841	845
Others	58	99
	<u>14,625</u>	<u>11,643</u>

2.6 : Short term provisions

	As at 31 March 2016	As at 31 March 2015
Provision for employee benefits	524	471
Income tax payable	-	104
	<u>524</u>	<u>575</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 01.04.2015	Additions	Deletions	As at 31.03.2016	As at 01.04.2015	For the year	Deletions	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Vehicles										
Owned	401	1,349	67	1,683	275	275	92	458	1,225	126
Assets taken under finance lease	3,112	-	68	3,044	810	519	25	1,304	1,740	2,302
Plant and machinery	3	-	-	3	3	-	-	3	-	-
Furniture and fixtures and office equipment	1,190	192	10	1,372	557	194	8	743	629	632
Total tangible assets	4,706	1,541	145	6,102	1,645	988	125	2,508	3,594	3,061
Previous year	3,398	1,623	315	4,706	828	960	142	1,647	3,060	

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 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Loan to holding company and other group companies	433	423
Security deposits	533	312
Advance tax, net of provision for income taxes	260	-
	1,226	735

2.9 : Inventories

(Valued on weighted average basis)

	As at 31 March 2016	As at 31 March 2015
Stock-in-trade	33,516	28,924
	33,516	28,924

2.10 : Trade receivables

	As at 31 March 2016	As at 31 March 2015
Unsecured		
Debts outstanding for a period exceeding six months		
Considered doubtful	590	656
Other debts		
Considered good	41,252	43,764
	41,842	44,420
<i>Less</i> : Provision for doubtful debts	(590)	(656)
	41,252	43,764

2.11 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Cash on hand	2	2
Bank balances		
In current accounts	2,375	548
In term deposit accounts	-	1,396
	2,377	1,946

2.12 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
Advances to material suppliers	3	53
Staff loans and advances	100	118
Balances with statutory agencies	1,119	1,251
Prepaid expenses	155	838
Other advances	633	365
	2,010	2,625

2.13 : Other current assets

	As at 31 March 2016	As at 31 March 2015
<i>Considered good</i>		
Other receivables from holding company and other group companies	5,994	8,347
	5,994	8,347

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 2016	For the year ended 31 March 2015
Interest income	31	36
Profit on sale of fixed assets, net	27	26
Foreign exchnage gain, net	2,308	6,497
	2,366	6,559
	2,366	6,559

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

	For the year ended 31 March 2016	For the year ended 31 March 2015
<i>Opening</i>		
Stock-in-trade	28,924	39,467
<i>Closing</i>		
Stock-in-trade	33,516	28,924
<i>Net (increase) / decrease</i>	(4,592)	10,543
	(4,592)	10,543

2.16 : Employee benefits expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	10,865	14,962
Contribution to provident and other funds	2,742	3,535
Staff welfare expenses	1,125	1,363
	14,732	19,860
	14,732	19,860

2.17 : Finance costs

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest expenses	542	665
	542	665
	542	665

2.18 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Advertisements	5,419	7,501
Selling expenses	4,126	7,073
Rent	2,076	1,509
Travel and conveyance	1,338	1,643
Other general expenses	3,397	3,364
	16,356	21,090
	16,356	21,090

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 2016 (previous year: Nil).

2.20 : Deferred taxation

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

Particulars	As at 31 March 2016	As at 31 March 2015
Deferred tax assets / (liabilities)		
Trade receivables	3	3
Inventories	136	105
Current assets	(13)	(14)
Current liabilities	3,163	2,874
Fixed assets	(109)	(91)
Deferred tax asset, net	3,180	2,877

2.21 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
i. Purchases and services from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	86,935	101,348
Dr. Reddy's Laboratories SA	5,361	6,691
ii. Sale and service income from holding company and other group companies:		
Dr. Reddy's Laboratories Limited	23,928	31,616
iii. Interest income from holding company and other group companies:		
OOO DRS LLC	27	30

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

Particulars	As at 31 March 2016	As at 31 March 2015
i. Due from holding company and other group companies (included in advances and other assets):		
OOO DRS LLC	433	423
Dr. Reddy's Laboratories Limited	5,785	7,980
Dr. Reddy's Laboratories SA	208	367
ii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	52,244	57,582
Dr. Reddy's Laboratories SA	4,336	1,614

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 : Comparative figures

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

2.23 : The Company, incorporated in Russia, is a 100% subsidiary of Dr. Reddy's Laboratories SA.

As per our report of even date attached

for A Ramachandra Rao & Co.

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao

Partner

Membership No. 9750

Charles Bulmann

Director

Place: Hyderabad

Date: 9 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

OOO DRS LLC Limited**Balance Sheet**

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

	Note	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	29,520	29,520
Reserves and surplus	2.2	106,125	104,110
		135,645	133,630
Non current liabilities			
Long term borrowings	2.3	62,772	63,530
		62,772	63,530
Current liabilities			
Other current liabilities	2.4	24,779	27,003
		24,779	27,003
	TOTAL	223,196	224,163
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	206,091	206,232
Capital work-in-progress		6,815	6,815
		212,906	213,047
Current assets			
Cash and bank balances	2.6	107	74
Short term loans and advances	2.7	10,183	11,042
		10,290	11,116
	TOTAL	223,196	224,163

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 2016

for and on behalf of the Board of Directors

Anna Kuzmina

Director

OOO DRS LLC Limited
Statement of Profit and Loss

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

	Note	For the year ended 31 March 2016	For the year ended 31 March 2015
Income			
Foreign exchange gain, net		6,661	44,325
Total revenue		6,661	44,325
Expenses			
Finance costs	2.8	2,715	2,980
Depreciation expense	2.5	141	324
Other expenses	2.9	1,790	2,159
Total expenses		4,646	5,463
Profit before tax		2,015	38,862
Tax expense		-	-
Profit for the year		2,015	38,862

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Anna Kuzmina

Director

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Profit before taxation	2,015	38,862
Adjustments:		
Depreciation and amortisation expense	141	324
Effect of foreign exchange gain, net	(6,719)	(44,280)
Finance costs	2,715	2,980
Operating cash flows before working capital changes	(1,848)	(2,114)
<i>Changes in operating assets and liabilities</i>		
Other assets and liabilities, net	(52)	338
Cash used in operations	(1,900)	(1,775)
Income taxes paid, net	-	-
Net cash used in operating activities	(1,900)	(1,775)
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	1,942	1,511
Net cash from financing activities	1,942	1,511
Net increase / (decrease) in cash and cash equivalents	42	(264)
Cash and cash equivalents at the beginning of the year	74	431
Effect of foreign exchange loss on cash and cash equivalents	(9)	(93)
Cash and cash equivalents at the end of the year	107	74
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	107	74
Other bank balances	-	-
Cash and bank balances at the end of the year	107	74

The accompanying notes are an integral part of financial statements

As per our report of even date attached

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

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Anna Kuzmina

Director

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2016

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
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	(18,422)	(57,284)
Add: Current year profit / (loss)	<u>2,015</u>	<u>38,862</u>
Balance carried forward	<u>(16,407)</u>	<u>(18,422)</u>
	<u>106,125</u>	<u>104,110</u>

2.3 : Long term borrowings

	As at 31 March 2016	As at 31 March 2015
Borrowings from holding company and other group companies	<u>62,772</u>	<u>63,530</u>
	<u>62,772</u>	<u>63,530</u>

2.4 : Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Other current liabilities	<u>24,779</u>	<u>27,003</u>
	<u>24,779</u>	<u>27,003</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 01.04.2015	Additions	Deletions	As at 31.03.2016	As at 01.04.2015	For the year	Deletions	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Land	205,449	-	-	205,449	-	-	-	-	205,449	205,449
Building	3,822	-	-	3,822	3,039	141	-	3,180	642	783
Total Tangible Assets	209,271	-	-	209,271	3,039	141	-	3,180	206,091	206,232
Previous year	209,271	-	-	209,271	2,715	324	-	3,039	206,232	

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 2016	As at 31 March 2015
Bank balances		
In current accounts	107	74
	<u>107</u>	<u>74</u>

2.7 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Balances with statutory agencies	139	150
Other advances	10,044	10,892
	<u>10,183</u>	<u>11,042</u>

2.8 : Finance costs

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest expenses	2,715	2,980
	<u>2,715</u>	<u>2,980</u>

2.9 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Legal and professional	640	729
Rates and taxes	1,149	1,426
Other general expenses	1	4
	<u>1,790</u>	<u>2,159</u>

OOO DRS LLC Limited
Notes to Financial Statements

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

Note 2: Notes to financial statements (continued)

2.10: Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016 (previous year: Nil).

2.11 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
i. Interest paid / payable to holding company and other group companies:		
OOO Dr. Reddy's Laboratories Limited	2,715	2,980

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

Particulars	As at 31 March 2016	As at 31 March 2015
i. Due to holding company and other group companies (included in long term borrowings):		
OOO Dr. Reddy's Laboratories Limited	43,321	42,333
Reddy Antilles N.V.	19,451	21,197

2.12 : Comparative figures

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

2.13 : The Company, incorporated under the laws of Russia, is a 100% subsidiary of Eurobridge Consulting B.V.

As per our report of even date attached

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

for and on behalf of the Board of Directors

A Ramachandra Rao
Partner
Membership No. 9750

Anna Kuzmina
Director

Place: Hyderabad
Date: 9 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

Promius Pharma LLC**Balance Sheet**

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

	Note	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	17,127	17,127
Reserves and surplus	2.2	(95,556)	(67,120)
		<u>(78,429)</u>	<u>(49,993)</u>
Non current liabilities			
Other long term liabilities	2.3	835	1,138
		<u>835</u>	<u>1,138</u>
Current liabilities			
Trade payables	2.4	85	329
Other current liabilities	2.3	89,227	65,594
Short term provisions	2.5	2,931	3,029
		<u>92,243</u>	<u>68,952</u>
	TOTAL	<u>14,649</u>	<u>20,097</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.6	-	1
Intangible assets	2.6	11,284	13,368
Capital work-in-progress		1	-
Long term loans and advances	2.7	871	750
		<u>12,156</u>	<u>14,119</u>
Current assets			
Inventories	2.8	264	479
Trade receivables	2.9	1,155	1,357
Cash and bank balances	2.10	43	229
Short term loans and advances	2.11	872	1,957
Other current assets	2.12	159	1,956
		<u>2,493</u>	<u>5,978</u>
	TOTAL	<u>14,649</u>	<u>20,097</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Satish Reddy

Director

A Ramachandra Rao

Partner

Membership No. 9750

G.V. Prasad

Director

Place: Hyderabad

Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Income			
Sales, net		12,866	6,529
Revenue from operations		12,866	6,529
Other income		-	2
Total revenue		12,866	6,531
Expenses			
Purchase of stock-in-trade (traded goods)		1,923	1,363
Changes in inventory of stock-in-trade	2.13	215	197
Conversion charges		76	50
Employee benefits expense	2.14	9,261	4,750
Interest Expenses		188	127
Depreciation and amortization expense	2.6	3,509	3,069
Other expenses	2.15	22,874	18,958
Total expenses		38,046	28,514
Loss before tax		(25,180)	(21,983)
Tax expense	2.18	-	-
Loss for the year		(25,180)	(21,983)

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 2016

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

Satish Reddy

Director

G.V. Prasad

Director

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Loss before taxation	(25,180)	(21,983)
Adjustments:		
Depreciation and amortisation expense	3,509	3,069
Allowance for sales returns	2,053	3,970
Finance costs	188	127
Provision for inventory obsolescence	525	622
Provision for doubtful advances, net	-	3
Operating cash flows before working capital changes	(18,905)	(14,192)
<i>Changes in operating assets and liabilities</i>		
Trade receivables	280	(1,177)
Inventories	(285)	(400)
Trade payables	(261)	323
Other assets and liabilities, net	19,161	16,297
Cash generated from operations	(10)	851
Income taxes paid, net	-	(6)
Net cash from operating activities	(10)	844
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	-	(816)
Net cash used in investing activities	-	(816)
Cash flows from / (used in) financing activities		
Repayment of long term borrowings, net	(2)	(3)
Interest paid	(188)	(127)
Net cash used in financing activities	(190)	(130)
Net decrease in cash and cash equivalents	(200)	(102)
Cash and cash equivalents at the beginning of the year	229	319
Effect of foreign exchange gain on cash and cash equivalents	14	12
Cash and cash equivalents at the end of the year	43	229
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	43	229
Other bank balances	-	-
Cash and bank balances at the end of the year	43	229

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 2016

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Foreign currency translation reserve		
Balance at the beginning of the year	(2,601)	(871)
Movement during the year	<u>(3,256)</u>	<u>(1,730)</u>
	<u>(5,857)</u>	<u>(2,601)</u>
Deficit		
Balance at the beginning of the year	(64,519)	(42,536)
Add: Current year loss	<u>(25,180)</u>	<u>(21,983)</u>
Balance carried forward	<u>(89,699)</u>	<u>(64,519)</u>
	<u>(95,556)</u>	<u>(67,120)</u>

2.3 : Other liabilities

a) Other long term liabilities

	As at 31 March 2016	As at 31 March 2015
Other liabilities - non current	<u>835</u>	<u>1,138</u>
	<u>835</u>	<u>1,138</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 2016	As at 31 March 2015
Current maturities of finance lease obligations	-	2
Due to capital creditors	670	1
Due to holding company and other group companies	78,679	61,527
Accrued expenses	5,446	1,881
Salary and bonus payable	391	685
Others	4,041	1,498
	<u>89,227</u>	<u>65,594</u>

2.4 : Trade Payables

	As at 31 March 2016	As at 31 March 2015
Payables to holding company and other group companies	10	14
Payables to others	75	315
	<u>85</u>	<u>329</u>

2.5 : Short term provisions

	As at 31 March 2016	As at 31 March 2015
Provision for employee benefits	18	17
Allowance for sales returns	2,913	3,012
	<u>2,931</u>	<u>3,029</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 01.04.2015	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 01.04.2015	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Office equipment	266	-	-	16	282	265	1	-	16	282	-	1
Total tangible assets (A)	266	-	-	16	282	265	1	-	16	282	-	1
Intangibles	28,866	669	-	1,728	31,263	15,498	3,508	-	973	19,979	11,284	13,368
Total intangible assets (B)	28,866	669	-	1,728	31,263	15,498	3,508	-	973	19,979	11,284	13,368
Total (A+B)	29,132	669	-	1,744	31,545	15,763	3,509	-	989	20,261	11,284	13,369
Previous year	27,028	917	-	1,187	29,132	12,103	3,069	-	590	15,763	13,369	

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 2016	As at 31 March 2015
<i>Considered good</i>		
Advance tax, net of provision for income taxes	24	22
Security deposits	847	728
	<u>871</u>	<u>750</u>

**2.8 : Inventories
(Valued on weighted average basis)**

	As at 31 March 2016	As at 31 March 2015
Stock-in-trade	264	479
	<u>264</u>	<u>479</u>

2.9 : Trade receivables

Unsecured	As at 31 March 2016	As at 31 March 2015
Other debts		
<i>Considered good</i>	1,155	1,357
	<u>1,155</u>	<u>1,357</u>

2.10 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Bank balances		
In current accounts	43	229
	<u>43</u>	<u>229</u>

2.11: Short term loans and advances

Unsecured	As at 31 March 2016	As at 31 March 2015
<i>Considered good</i>		
Advances to material suppliers	698	30
Prepaid expenses	143	136
Other advances	31	1,791
<i>Considered doubtful</i>		
Other advances recoverable in cash or in kind or for value to be received	-	5
	<u>872</u>	<u>1,962</u>
<i>Less : Provision for doubtful loans and advances</i>	-	(5)
	<u>872</u>	<u>1,957</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 2016	As at 31 March 2015
<i>Considered good</i>		
Other receivables from holding company and other group companies	150	1,956
Other assets	9	-
	<u>159</u>	<u>1,956</u>

2.13 : Changes in inventory of stock-in-trade

	For the year ended 31 March 2016	For the year ended 31 March 2015
<i>Opening</i>		
Stock-in-trade	479	676
<i>Closing</i>		
Stock-in-trade	264	479
<i>Net decrease</i>	<u>215</u>	<u>197</u>

2.14 : Employee benefits expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	7,884	3,592
Contribution to provident and other funds	675	614
Staff welfare expenses	702	544
	<u>9,261</u>	<u>4,750</u>

2.15 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Legal and professional	820	663
Carriage outward	52	160
Rates and taxes	119	159
Other research and development expenditure	10,806	12,204
Selling expenses	6,081	3,161
Travelling and conveyance	877	352
Rent	491	177
Insurance	39	14
Foreign exchange loss, net	12	-
Provision on doubtful advances and receivables	-	3
Advertisements	531	584
Other general expenses	3,046	1,481
	<u>22,874</u>	<u>18,958</u>

2.16 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016 (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 2016	For the year ended 31 March 2015
i. Sales and services rendered to holding company and other group companies:		
Dr. Reddy's Laboratories Inc.	2,538	2,727
Dr. Reddy's Laboratories (Australia) Pty. Limited	66	112
ii. Reimbursement of research and development expenses to other group companies:		
Aurigene Discovery Technologies Limited	4	-
ii. Reimbursement of operating expenses to holding company and other group companies:		
Dr. Reddy's Laboratories (Australia) Pty. Limited	22	104
iii. 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 2016	As at 31 March 2015
i. Due from holding company and other group companies (included in other current assets):		
Dr. Reddy's Laboratories Limited	98	93
Aurigene Discovery Technologies Limited	-	-
Dr. Reddy's Laboratories Inc.	51	1,863
ii. Due to holding company and other group companies (included in other current liabilities):		
Dr. Reddy's Laboratories Inc.	78,414	61,511
Dr. Reddy's Laboratories Louisiana LLC	265	16
iii. Due to holding company and other group companies (included in trade payables):		
Dr. Reddy's Laboratories Limited	10	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
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

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

A Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

G.V. Prasad
Director

Place: Hyderabad
Date: 9 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

Reddy Antilles N.V.**Balance Sheet**

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

	Note	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	52,279	52,279
Reserves and surplus	2.2	(195,932)	(173,490)
		<u>(143,653)</u>	<u>(121,211)</u>
Non current liabilities			
Long term borrowings	2.3	344,060	324,561
		<u>344,060</u>	<u>324,561</u>
Current liabilities			
Other current liabilities	2.4	18,355	16,079
Short term provisions	2.5	33	32
		<u>18,388</u>	<u>16,111</u>
	TOTAL	<u>218,795</u>	<u>219,461</u>
ASSETS			
Non current assets			
Non current investments	2.6	164,943	159,500
Long term loans and advances	2.7	48,338	57,652
		<u>213,281</u>	<u>217,152</u>
Current assets			
Cash and bank balances	2.8	2,545	185
Short term loans and advances	2.9	2,969	2,124
		<u>5,514</u>	<u>2,309</u>
	TOTAL	<u>218,795</u>	<u>219,461</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 2016

for and on behalf of the Board of Directors

Satish Reddy

Director

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 2016	For the year ended 31 March 2015
Total revenue		-	-
Expenses			
Other expenses	2.10	<u>22,442</u>	<u>24,378</u>
Total expenses		<u>22,442</u>	<u>24,378</u>
Loss before tax		(22,442)	(24,378)
Tax expense		<u>-</u>	<u>-</u>
Loss for the year		<u>(22,442)</u>	<u>(24,378)</u>
Earnings per share			
Basic - Par value USD 1 per share		(19.83)	(21.54)
Diluted - Par value USD 1 per share		(19.83)	(21.54)
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: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Loss before taxation	(22,442)	(24,378)
Adjustments:		
Effect of foreign exchange loss, net	16,861	11,350
Operating cash flows before working capital changes	(5,581)	(13,028)
<i>Changes in operating assets and liabilities</i>		
Other assets and liabilities, net	583	(3,675)
Cash used in operations	(4,998)	(16,704)
Income taxes paid, net	-	-
Net cash used in operating activities	(4,998)	(16,704)
Cash flows from / (used in) investing activities		
Purchase of investments	(5,443)	-
Loans and advances repaid by holding company and other group companies, net	12,763	13,170
Net cash from investing activities	7,320	13,170
Cash flows from / (used in) financing activities		
Net cash used in financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	2,322	(3,533)
Cash and cash equivalents at the beginning of the year	185	3,640
Effect of foreign exchange gain on cash and cash equivalents	38	78
Cash and cash equivalents at the end of the year	2,545	185
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	2,545	185
Other bank balances	-	-
Cash and bank balances at the end of the year	2,545	185

The accompanying notes are an integral part of financial statements

As per our report of even date attached

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

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

A Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2016

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 2016	As at 31 March 2015
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>
	<u>52,279</u>	<u>52,279</u>

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

Particulars	As at 31 March 2016		As at 31 March 2015	
	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 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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Surplus / (Deficit)		
Balance at the beginning of the year	(173,490)	(149,112)
Add: Current year loss	(22,442)	(24,378)
Balance carried forward	<u>(195,932)</u>	<u>(173,490)</u>
	<u>(195,932)</u>	<u>(173,490)</u>

2.3 : Long term borrowings

	As at 31 March 2016	As at 31 March 2015
Borrowings from holding company and other group companies	<u>344,060</u>	<u>324,561</u>
	<u>344,060</u>	<u>324,561</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 2016	As at 31 March 2015
Due to holding company and other group companies	17,851	16,079
Accrued expenses	215	-
Others	289	-
	<u>18,355</u>	<u>16,079</u>

2.5 : Short term provisions

	As at 31 March 2016	As at 31 March 2015
Income tax payable	33	32
	<u>33</u>	<u>32</u>

2.6 : Non current investments

	As at 31 March 2016	As at 31 March 2015
Non current investments at cost		
<i>In Subsidiary Companies</i>		
Eurobridge Consulting B.V.	164,943	159,500
	<u>164,943</u>	<u>159,500</u>

2.7 : Long term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Loans and advances to holding company and other group companies	48,338	57,652
	<u>48,338</u>	<u>57,652</u>

2.8 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Bank balances		
In current accounts	2,545	185
	<u>2,545</u>	<u>185</u>

2.9 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Prepaid expenses	66	63
Other advances	2,903	2,061
	<u>2,969</u>	<u>2,124</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 2016	For the year ended 31 March 2015
Legal and professional	1,287	985
Foreign exchange loss, net	20,897	23,197
Other general expenses	258	196
	22,442	24,378

2.11 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016 (previous year: Nil).

2.12 : Related party disclosures

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

Particulars	As at 31 March 2016	As at 31 March 2015
i. Due from holding company and other group companies (included in long term loans and advances):		
Reddy Netherlands B.V	27,154	32,576
OOO DRS LLC	19,451	21,197
Eurobridge Consulting B.V.	1,732	3,879
ii. Due to holding company and other group companies (included in long term borrowings and other current liabilities):		
Dr. Reddy's Laboratories Limited	361,911	340,640

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

A Ramachandra Rao
Partner
Membership No. 9750

Satish Reddy
Director

Place: Hyderabad
Date: 9 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

Reddy Cheminor S.A.**Balance Sheet**

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

	Note	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,958	1,958
Reserves and surplus	2.2	(1,926)	(1,929)
		<u>32</u>	<u>29</u>
	TOTAL	<u>32</u>	<u>29</u>
ASSETS			
Current assets			
Cash and bank balances	2.3	32	29
		<u>32</u>	<u>29</u>
	TOTAL	<u>32</u>	<u>29</u>

Significant accounting policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

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

A Ramachandra Rao

Partner

Membership No. 9750

Satish Reddy

Director

Place: Hyderabad

Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Foreign exchange gain, net		3	-
Total revenue		3	-
Expenses			
Foreign exchange loss, net	2.4	-	6
Total expenses		-	6
Profit / (Loss) before tax		3	(6)
Tax expense		-	-
Profit / (Loss) for the year		3	(6)
Earnings per share			
Basic - Par value EUR 16 per share		1.36	(2.40)
Diluted - Par value EUR 16 per share		1.36	(2.40)
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

for and on behalf of the Board of Directors)

A Ramachandra Rao

Partner

Membership No. 9750

Satish Reddy

Director

G.V. Prasad

Director

Place: Hyderabad

Date: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Profit/(loss) before taxation	3	(6)
Adjustments:		
Effect of foreign exchange (gain)/loss, net	(3)	6
Operating cash flows before working capital changes	-	-
<i>Changes in operating assets and liabilities</i>	-	-
Cash generated from operations	-	-
Income taxes paid, net	-	-
Net cash from operating activities	-	-
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 in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	29	35
Effect of foreign exchange gain/(loss) on cash and cash equivalents	3	(6)
Cash and cash equivalents at the end of the year	32	29
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	32	29
Cash and bank balances at the end of the year	32	29

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao

Partner

Membership No. 9750

Satish Reddy

Director

Place: Hyderabad

Date: 9 May 2016

G.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 2016	As at 31 March 2015
Authorised		
2,500 (previous year : 2,500) shares of Euro 16 each	1,958	1,958
Issued		
2,500 (previous year : 2,500) shares of Euro 16 each	1,958	1,958
Subscribed and paid-up		
2,500 (previous year : 2,500) shares of Euro 16 each	1,958	1,958
	1,958	1,958

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

Particulars	As at 31 March 2016		As at 31 March 2015	
	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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Deficit		
Balance at the beginning of the year	(1,929)	(1,923)
Add: Current year profit / (loss)	3	(6)
Balance carried forward	(1,926)	(1,929)

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 2016	As at 31 March 2015
Cash on hand	<u>32</u>	<u>29</u>
	<u><u>32</u></u>	<u><u>29</u></u>

2.4 : Other expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Foreign exchange loss, net	<u>-</u>	<u>6</u>
	<u><u>-</u></u>	<u><u>6</u></u>

2.5 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016 (previous year: Nil).

2.6 : Comparative figures

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

2.7 : The Company, incorporated in France, is a 100% subsidiary of Dr. Reddy's Laboratories Limited.

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

A Ramachandra Rao

Partner

Membership No. 9750

Satish Reddy

Director

Place: Hyderabad

Date: 9 May 2016

G.V. Prasad

Director

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

Reddy Holding GmbH**Balance Sheet**

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

	Note	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	1,519	1,519
Reserves and surplus	2.2	17,282,129	13,828,944
		17,283,648	13,830,463
Non current liabilities			
Long term borrowings	2.3	8,148,961	11,312,775
		8,148,961	11,312,775
Current liabilities			
Other current liabilities	2.4	171,356	97,378
Short term provisions	2.5	1,595,956	1,415,424
		1,767,312	1,512,802
	TOTAL	27,199,921	26,656,040
ASSETS			
Non current assets			
Non current investments	2.6	26,063,322	26,063,322
Deferred tax assets, net	2.15	491,188	570,369
Long term loans and advances	2.7	636,483	347
		27,190,993	26,634,038
Current assets			
Cash and bank balances	2.8	7,368	21,607
Short term loans and advances	2.9	1,560	395
		8,928	22,002
	TOTAL	27,199,921	26,656,040

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 2016

for and on behalf of the Board of Directors

Dr. Clemens J. Troche

Director

Sameer Natu

Director

Reddy Holding GmbH
Statement of Profit and Loss

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

	Note	For the year ended 31 March 2016	For the year ended 31 March 2015
Income			
Other operating revenues		12,751	151,138
Revenue from operations		12,751	151,138
Other income	2.10	5,299,476	7,584,020
Total revenue		5,312,227	7,735,158
Expenses			
Employee benefits expense	2.11	113,431	170,961
Finance costs	2.12	122,502	356,374
Other expenses	2.13	35,062	64,349
Total expenses		270,995	591,684
Profit before tax		5,041,232	7,143,474
Tax expense	2.17		
Current tax		1,122,865	1,031,236
Deferred tax		142,688	(549,415)
Profit for the year		3,775,679	6,661,653

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: 9 May 2016

Sameer Natu
Director

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Profit before taxation	5,041,232	7,143,474
Adjustments:		
Interest income	(24)	(1,582)
Finance costs	122,502	356,374
Operating cash flows before working capital changes	5,163,710	7,498,266
<i>Changes in operating assets and liabilities</i>		
Other assets and liabilities, net	(1,259,600)	57,872
Cash generated from / (used in) operations	3,904,111	7,556,138
Income taxes paid, net	1,152,211	26,399
Net cash from / (used in) operating activities	5,056,322	7,582,537
Cash flows from / (used in) investing activities		
Loans and advances (given to) / repaid by holding company and other group companies	(636,123)	5,130,068
Interest received	24	1,582
Net cash from / (used in) investing activities	(636,099)	5,131,650
Cash flows from / (used in) financing activities		
Repayment of long term borrowings, net	(4,313,903)	(12,842,262)
Repayment of short term borrowings, net	-	449,975
Interest paid	(122,502)	(356,374)
Net cash from / (used) in financing activities	(4,436,405)	(12,748,661)
Net increase / (decrease) in cash and cash equivalents	(16,182)	(34,474)
Cash and cash equivalents at the beginning of the year	21,607	63,373
Effect of foreign exchange gain/(loss) on cash and cash equivalents	1,944	(7,293)
Cash and cash equivalents at the end of the year	7,368	21,607
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	7,368	21,607
Other bank balances	-	-
Cash and bank balances at the end of the year	7,368	21,607

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 2016

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

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 2016	As at 31 March 2015
Authorised		
Euro 27,000 (previous year : 27,000 Euro)*	1,519	1,519
Issued		
Euro 27,000 (previous year : 27,000 Euro)*	1,519	1,519
Subscribed and paid-up		
Euro 27,000 (previous year : 27,000 Euro)*	1,519	1,519
	1,519	1,519

* 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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Foreign currency translation reserve		
Balance at the beginning of the year	(5,784,925)	(9,050,356)
Movement during the year	(322,494)	3,265,431
	(6,107,419)	(5,784,925)
Securities premium reserve		
Balance at the beginning of the year	22,015,908	22,015,908
Movement during the year	-	-
	22,015,908	22,015,908
Deficit		
Balance at the beginning of the year	(2,402,039)	(9,063,692)
Add: Current year profit	3,775,679	6,661,653
Balance carried forward	1,373,640	(2,402,039)
	17,282,129	13,828,944

2.3 : Borrowings

	As at 31 March 2016	As at 31 March 2015
a) Long term borrowings		
Borrowings from holding company and other group companies	8,148,961	11,312,775
	8,148,961	11,312,775

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 2016	As at 31 March 2015
Accrued expenses	54,586	57,025
Others	116,770	40,353
	<u>171,356</u>	<u>97,378</u>

2.5 : Short term provisions

	As at 31 March 2016	As at 31 March 2015
Income tax payable	1,595,956	1,415,424
	<u>1,595,956</u>	<u>1,415,424</u>

2.6 : Non current investments

	As at 31 March 2016	As at 31 March 2015
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 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Security deposits	360	347
Loans and advances to holding company and other group companies	636,123	-
	<u>636,483</u>	<u>347</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 2016	As at 31 March 2015
Cash on hand	-	79
Bank balances		
In current accounts	7,368	21,528
	<u>7,368</u>	<u>21,607</u>

2.9 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Advances to material suppliers	-	260
Staff loans and advances	-	135
Other advances recoverable in cash or in kind or for value to be received	1,560	-
	<u>1,560</u>	<u>395</u>

2.10 : Other income

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest income	24	1,582
Profit share from holding company and other group companies	5,168,712	7,582,438
Other income from holding company and other group companies	130,740	
	<u>5,299,476</u>	<u>7,584,020</u>

2.11 : Employee benefits expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	95,965	143,353
Contribution to provident and other funds	11,724	20,170
Staff welfare expenses	5,742	7,438
	<u>113,431</u>	<u>170,961</u>

2.12 : Finance costs

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest expenses	122,502	356,374
	<u>122,502</u>	<u>356,374</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 2016	For the year ended 31 March 2015
Legal and professional	12,390	17,063
Communication	4,770	9,168
Other general expenses	17,902	38,118
	35,062	64,349

2.14 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016 (previous year: Nil).

2.15 : Deferred taxation

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

Particulars	As at 31 March 2016	As at 31 March 2015
Deferred tax assets / (liabilities)		
Current assets	(257)	-
Loss carry forward	444,758	472,774
Current Liabilities	7,985	89,227
Inventory	(1,255)	(6,472)
Fixed assets	39,957	14,840
Deferred tax asset, net	491,188	570,369

2.16 : Related party disclosures

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

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
i. Interest paid / payable to holding company and other group companies:		
betapharm Arzneimittel GmbH	18,062	224,606
Lacock Holdings Limited	-	131,768
ii. Profit share from holding company and other group companies:		
betapharm Arzneimittel GmbH	5,168,712	7,582,438
iii. Reimbursement of operating and other expenses by holding company and other group companies:		
betapharm Arzneimittel GmbH	130,018	137,637
beta Institut gemeinnützige GmbH	723	3,244
iv. Reimbursement of operating and other expenses to holding company and other group companies:		
betapharm Arzneimittel GmbH	2,730	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 31 March 2016	As at 31 March 2015
i. Due to holding company and other group companies (included in borrowings and trade payables):		
Dr. Reddy's Laboratories SA	8,148,961	11,312,775
ii. Due from holding company and other group companies (included in long term loans and advances):		
betapharm Arzneimittel GmbH	636,123	-

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.

2.20 : On 21 November 2015, Reddy Specialities GmbH was merged into Reddy holding GmbH by way of absorption under the provisions of German Transformation Act. Accordingly, all the assets and liabilities including the rights and duties were taken over from Reddy Specialities 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

Sameer Natu

Director

Place: Hyderabad

Date: 9 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

Reddy Netherlands B.V.**Balance Sheet**

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

	Note	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	6,626	6,626
Reserves and surplus	2.2	2,751,121	3,788,929
		<u>2,757,747</u>	<u>3,795,555</u>
Non current liabilities			
Long term borrowings	2.3	27,154	32,576
		<u>27,154</u>	<u>32,576</u>
Current liabilities			
Other current liabilities	2.4	977	3,125
Short term provisions	2.5	25,393	18,276
		<u>26,370</u>	<u>21,401</u>
	TOTAL	<u>2,811,271</u>	<u>3,849,532</u>
ASSETS			
Non current assets			
Non current investments	2.6	1,958,211	1,958,211
Long term loans and advances	2.7	847,092	1,540,526
		<u>2,805,303</u>	<u>3,498,737</u>
Current assets			
Cash and bank balances	2.8	5,477	350,226
Short term loans and advances	2.9	491	460
Other current assets	2.10	-	109
		<u>5,968</u>	<u>350,795</u>
	TOTAL	<u>2,811,271</u>	<u>3,849,532</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 2016

for and on behalf of the Board of Directors

Satish Reddy

Director

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 2016	For the year ended 31 March 2015
Income			
Other operating revenues		20	181
Other income	2.11	212,032	35,835
Total revenue		212,052	36,016
Expenses			
Other expenses	2.12	7,192	451,939
Total expenses		7,192	451,939
Profit / (Loss) before tax		204,860	(415,923)
Tax expense			
Current tax		4,738	1,382
Profit / (Loss) for the year		200,122	(417,305)
Earnings per share			
Basic - Par value EUR 50 per share		62,538.04	(130,407.81)
Diluted - Par value EUR 50 per share		62,538.04	(130,407.81)
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: 9 May 2016

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Profit/(Loss) before taxation	204,860	(415,923)
Adjustments:		
Effect of foreign exchange (gain)/ loss ,net	(169,891)	407,718
Interest income	(28,768)	(35,835)
Operating cash flows before working capital changes	6,201	(44,040)
<i>Changes in operating assets and liabilities</i>		
Trade receivables	-	929,913
Other assets and liabilities, net	(2,457)	128,428
Cash generated from / (used in) operations	3,744	1,014,300
Income taxes paid, net	-	(3,907)
Net cash from / (used in) operating activities	3,744	1,010,393
Cash flows from / (used in) investing activities		
Loans and advances given to holding company and other group companies, net	817,016	(907,193)
Interest received	54,813	35,726
Net cash used in investing activities	871,829	(871,467)
Cash flows from / (used in) financing activities		
Redemption of share premium to Dr. Reddy's Laboratories SA	(1,237,930)	248,401
Proceeds from / (repayment of) long term borrowings, net	(9,161)	7,159
Net cash from/(used in) financing activities	(1,247,091)	255,560
Net increase / (decrease) in cash and cash equivalents	(371,518)	394,487
Cash and cash equivalents at the beginning of the year	350,226	10,075
Effect of foreign exchange gain/(loss) on cash and cash equivalents	26,769	(54,336)
Cash and cash equivalents at the end of the year	5,477	350,226
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	5,477	350,226
Other bank balances	-	-
Cash and bank balances at the end of the year	5,477	350,226

The accompanying notes are an integral part of financial statements

As per our report of even date attached

for **A Ramachandra Rao & Co.**

Chartered Accountants

ICAI FRN : 002857S

for and on behalf of the Board of Directors

Satish Reddy

Director

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2016

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 2016	As at 31 March 2015
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

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

Particulars	As at 31 March 2016		As at 31 March 2015	
	No. of equity shares	Amount	No. of equity shares	Amount
Number of shares outstanding at the beginning of the	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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Securities premium reserve		
Balance at the beginning of the year	4,251,086	4,002,685
Movement during the year	(1,237,930)	248,401
	3,013,156	4,251,086
Deficit		
Balance at the beginning of the year	(462,157)	(44,852)
Add: Current year profit / (loss)	200,122	(417,305)
Balance carried forward	(262,035)	(462,157)
	2,751,121	3,788,929

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 2016	As at 31 March 2015
Unsecured		
Borrowings from holding company and other group companies	27,154	32,576
	<u>27,154</u>	<u>32,576</u>

2.4 : Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Accrued expenses	977	3,125
	<u>977</u>	<u>3,125</u>

2.5 : Short term provisions

	As at 31 March 2016	As at 31 March 2015
Income tax payable	25,393	18,276
	<u>25,393</u>	<u>18,276</u>

2.6 : Non current investments

	As at 31 March 2016	As at 31 March 2015
Non current investments at cost		
<i>In Subsidiary Companies</i>		
OctoPlus B.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 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Loan to holding company and other group companies	847,092	1,540,526
	<u>847,092</u>	<u>1,540,526</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)

2.8 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Bank balances		
In current accounts	5,477	13,769
In term deposit accounts	-	336,457
	<u>5,477</u>	<u>350,226</u>

2.9 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Prepaid expenses	219	-
Balances with statutory agencies	272	460
	<u>491</u>	<u>460</u>

2.10 : Other current assets

	As at 31 March 2016	As at 31 March 2015
Interest receivable	-	109
	<u>-</u>	<u>109</u>

2.11 : Other income

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest income	28,768	35,835
Foreign exchange gain, net	183,264	-
	<u>212,032</u>	<u>35,835</u>

2.12 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Legal and professional	7,092	22,006
Foreign exchange loss, net	-	429,830
Other general expenses	100	103
	<u>7,192</u>	<u>451,939</u>

2.13 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016 (previous year: Nil).

Reddy Netherlands B.V.
Notes to Financial Statements

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

Note 2: Notes to financial statements (continued)

2.14 : Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
i. Interest income from holding company and other group companies:		
Octoplus B.V.	24,537	34,996

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

Particulars	As at 31 March 2016	As at 31 March 2015
i. Due from holding company and other group companies (included in loans and advances):		
Octoplus B.V.	847,092	1,540,526
ii. Due to holding company and other group companies (included in long term borrowings):		
Reddy Antilles N.V.	27,154	32,576

2.15 : Comparative figures

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

2.16 : The Company, incorporated in the Netherlands, is a 100% Subsidiary of Dr. Reddy's Laboratories SA.

As per our report of even date attached

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

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

Satish Reddy
Director

A Ramachandra Rao
Partner
Membership No. 9750

Place: Hyderabad
Date: 9 May 2016

INDEPENDENT AUDITOR'S 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 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

Reddy Pharma Iberia SA**Balance Sheet**

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

	Note	As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	566,018	566,018
Reserves and surplus	2.2	(511,174)	(519,684)
		<u>54,844</u>	<u>46,334</u>
Current liabilities			
Trade payables	2.3	1,220	643
Other current liabilities	2.4	3,075	1,512
		<u>4,295</u>	<u>2,155</u>
		<u>59,139</u>	<u>48,489</u>
	TOTAL	59,139	48,489
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	92	-
		<u>92</u>	<u>-</u>
Current assets			
Trade receivables	2.6	5,535	5,196
Cash and bank balances	2.7	53,209	43,293
Short term loans and advances	2.8	190	-
Other current assets	2.9	113	-
		<u>59,047</u>	<u>48,489</u>
	TOTAL	59,139	48,489

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 2016

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 2016	For the year ended 31 March 2015
Income			
License fees		17,285	19,724
Revenue from operations		17,285	19,724
Other income	2.10	-	5
Total revenue		17,285	19,729
Expenses			
Employee benefits expense	2.11	9,216	152
Depreciation and amortisation expense	2.5	15	
Other expenses	2.12	5,376	3,040
Total expenses		14,607	3,192
Profit before tax		2,678	16,537
Tax expense		-	-
Profit for the year		2,678	16,537
Earnings per share			
Basic - Par value EUR 1 per share		0.30	1.82
Diluted - Par value EUR 1 per share		0.30	1.82
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

Place: Hyderabad

Date: 9 May 2016

M.V. Narasimham

Director

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 2016	For the year ended 31 March 2015
Cash flows from / (used in) operating activities		
Profit before taxation	2,678	16,537
Adjustments:		
Depreciation and amortisation expense	15	
Interest income	-	(5)
Operating cash flows before working capital changes	2,693	16,532
<i>Changes in operating assets and liabilities</i>		
Trade receivables	284	(643)
Trade payables	478	207
Other assets and liabilities, net	652	(8,193)
Cash generated from operations	4,107	7,902
Income taxes paid, net	-	-
Net cash from operating activities	4,107	7,902
Cash flows from / (used in) investing activities		
Purchase of fixed assets	(96)	
Interest received	-	5
Net cash used in investing activities	(96)	5
Cash flows from / (used in) financing activities		
Net cash used in financing activities	-	-
Net increase in cash and cash equivalents	4,011	7,907
Cash and cash equivalents at the beginning of the year	43,293	44,840
Effect of foreign exchange gain/(loss) on cash and cash equivalents	5,905	(9,454)
Cash and cash equivalents at the end of the year	53,209	43,293
Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	53,209	43,293
Other bank balances	-	-
Cash and bank balances at the end of the year	53,209	43,293

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: 9 May 2016

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) 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.

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.

Reddy Pharma Iberia SA
Significant accounting policies

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

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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	9,066,000	566,018
Shares issued during the year	-	-		
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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Foreign currency translation reserve		
Balance at the beginning of the year	(4,360)	4,943
Movement during the year	<u>5,832</u>	<u>(9,303)</u>
	<u>1,472</u>	<u>(4,360)</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	(515,365)	(531,902)
Add: Current year profit	<u>2,678</u>	<u>16,537</u>
Balance carried forward	<u>(512,687)</u>	<u>(515,365)</u>
	<u>(511,174)</u>	<u>(519,684)</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 2016	As at 31 March 2015
Trade payable	1,220	643
	<u>1,220</u>	<u>643</u>

2.4 : Other Current liabilities

	As at 31 March 2016	As at 31 March 2015
Accrued expenses	1,412	304
Due to statutory authorities	1,662	760
Others	1	448
	<u>3,075</u>	<u>1,512</u>

2.6 : Trade receivables

	As at 31 March 2016	As at 31 March 2015
Unsecured		
Other debts		
Considered good	5,535	5,196
	<u>5,535</u>	<u>5,196</u>

2.7 : Cash and bank balances

	As at 31 March 2016	As at 31 March 2015
Bank balances		
In current accounts	53,209	43,293
	<u>53,209</u>	<u>43,293</u>

Reddy Pharma Iberia SA

Notes to Financial Statements

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

Note 2: Notes to financial statements (continued)

2.8 : Short term loans and advances

	As at 31 March 2016	As at 31 March 2015
(Unsecured)		
<i>Considered good</i>		
Other advances	90	-
Balances with Statutory Agencies	<u>100</u>	<u>-</u>
	<u>190</u>	<u>-</u>

2.9 : Other Current Assets

Other receivables from holding company and other group companies	<u>113</u>	<u>-</u>
	<u>113</u>	<u>-</u>

2.10 : Other income

	For the year ended 31 March 2016	For the year ended 31 March 2015
Interest income	<u>-</u>	<u>5</u>
	<u>-</u>	<u>5</u>

2.11 : Employee benefits expense

	For the year ended 31 March 2016	For the year ended 31 March 2015
Salaries, wages and bonus	<u>9,216</u>	<u>152</u>
	<u>9,216</u>	<u>152</u>

2.12 : Other expenses

	For the year ended 31 March 2016	For the year ended 31 March 2015
Legal and professional	3,939	1,576
Rates and taxes	15	836
Travelling and conveyance	455	2
Communication	21	61
Rent	297	274
Bank charges	-	55
Other general expenses	<u>649</u>	<u>236</u>
	<u>5,376</u>	<u>3,040</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 2016 (previous year: Nil).

2.14: Related party disclosures

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

Particulars	As at 31/Mar/16	As at 31/Mar/15
i. Due from holding company and other group companies (included in Other Current assets):		
Reddy Pharma SAS	113	-

2.15: Comparative figures

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

2.16: The Company, incorporated in Iberia, Spain is a 100% Subsidiary of Dr. Reddy's Laboratories Limited.

As per our report of even date attached

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

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

A Ramachandra Rao
Partner
Membership No. 9750

Sameer Natu
Director

Place: Hyderabad
Date: 9 May 2016

M.V. Narasimham
Director

INDEPENDENT AUDITOR'S REPORT

To The Members of **Reddy Pharma Italia S.R.L**

We have audited the accompanying financial statements of **Reddy Pharma Italia S.R.L**, a company incorporated and administered outside India, which comprises the Balance Sheet as at 31 March 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

Reddy Pharma Italia S.R.L**Balance Sheet**

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

		As at 31 March 2016	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	62,794	62,794
Reserves and surplus	2.2	(178,896)	(139,636)
		<u>(116,102)</u>	<u>(76,842)</u>
Non current liabilities			
Long term borrowings	2.3	1,183,325	1,054,547
		<u>1,183,325</u>	<u>1,054,547</u>
Current liabilities			
Other current liabilities	2.4	3,883	4,241
		<u>3,883</u>	<u>4,241</u>
	TOTAL	<u>1,071,106</u>	<u>981,946</u>
ASSETS			
Non current assets			
Fixed assets			
Tangible assets	2.5	-	368
Non current investments	2.6	172,878	172,878
Long term loans and advances	2.7	895,042	792,500
		<u>1,067,920</u>	<u>965,746</u>
Current assets			
Cash and bank balances	2.8	969	6,310
Short term loans and advances	2.9	1,690	848
Other current assets	2.10	527	9,042
		<u>3,186</u>	<u>16,200</u>
	TOTAL	<u>1,071,106</u>	<u>981,946</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 2016

for and on behalf of the Board of Directors

Subir Kohli

Director

Sameer Natu

Director

Reddy Pharma Italia S.R.L**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 2016	For the year ended 31 March 2015
Other income		-	2,497
Total revenue		-	2,497
Expenses			
Employee benefits expense		-	951
Depreciation expense	2.5	408	-
Other expenses	2.11	7,995	8,993
Total expenses		8,403	9,944
Loss before tax		(8,403)	(7,447)
Tax expense		-	-
Loss for the year		(8,403)	(7,447)
Earnings per share			
Basic - Par value EUR 1 per share		(70.03)	(62.06)
Diluted - Par value EUR 1 per share		(70.03)	(62.06)
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: 9 May 2016

for and on behalf of the Board of Directors

Satish Reddy

Director

Sameer Natu

Director

Reddy Pharma Italia S.R.L

Cash Flow Statement

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

	For the year ended 31 March 2016	For the year ended 31 March 2015
Loss before taxation	(8,403)	(7,447)
Adjustments:		
Depreciation and amortisation expense	408	-
Operating cash flows before working capital changes	(7,995)	(7,447)
<i>Changes in operating assets and liabilities</i>		
Trade payables	-	(3,452)
Other assets and liabilities, net	9,300	38,175
Cash generated from / (used in) operations	1,305	27,277
Income taxes paid, net	(395)	(483)
Net cash from / (used in) operating activities	910	26,793
Cash flows from / (used in) investing activities		
Purchase of tangible and intangible assets	-	-
Loans and advances repaid by / (given to) holding company and other group companies, net	(6,706)	(33,306)
Net cash from / (used in) investing activities	(6,706)	(33,306)
Cash flows from / (used in) financing activities		
Net cash from / (used in) financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	(5,796)	(6,513)
Cash and cash equivalents at the beginning of the year	6,310	14,101
Effect of foreign exchange gain / (loss) on cash and cash equivalents	455	(1,278)
Cash and cash equivalents at the end of the year	969	6,310
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	969	6,310
Cash and bank balances at the end of the year	969	6,310

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 2016

for and on behalf of the Board of Directors

Satish Reddy

Director

Sameer Natu

Director

Reddy Pharma Italia S.R.L
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.

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.R.L
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.R.L

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 2016	As at 31 March 2015
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 2016		As at 31 March 2015	
	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 2016		As at 31 March 2015	
	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 2016	As at 31 March 2015
Foreign currency translation reserve		
Balance at the beginning of the year	10,119	(48,769)
Movement during the year	<u>(30,857)</u>	<u>58,888</u>
	<u>(20,738)</u>	<u>10,119</u>
Deficit		
Balance at the beginning of the year	(149,755)	(142,308)
Add: Current year loss	<u>(8,403)</u>	<u>(7,447)</u>
Balance carried forward	<u>(158,158)</u>	<u>(149,755)</u>
	<u>(178,896)</u>	<u>(139,636)</u>

2.3 : Long term borrowings

	As at 31 March 2016	As at 31 March 2015
Borrowings from holding company and other group companies:	1,183,325	1,054,547
	<u>1,183,325</u>	<u>1,054,547</u>

2.4 : Other current liabilities

	As at 31 March 2016	As at 31 March 2015
Accrued expenses	2,519	3,509
Due to statutory authorities	1,364	277
Others	-	455
	<u>3,883</u>	<u>4,241</u>

Reddy Pharma Italia S.R.L

Notes to Financial Statements

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

Note 2.5 : Notes to financial statements (continued)

Description	Gross Block					Depreciation					Net Block	
	As at 01.04.2015	Additions	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 01.04.2015	For the year	Deletions	Foreign exchange adjustments	As at 31.03.2016	As at 31.03.2016	As at 31.03.2015
Leasehold improvements	1,827	-	-	547	2,374	1,459	408	-	507	2,374	-	368
Total	1,827	-	-	547	2,374	1,459	408	-	507	2,374	-	368
Previous year	2,861	-	-	(1,034)	1,827	2,412	-	-	(953)	1,459	368	

Reddy Pharma Italia S.R.L

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 at cost	As at 31 March 2016	As at 31 March 2015
<i>In Subsidiary Companies</i>		
Dr. Reddy's Srl	172,878	172,878
	<u>172,878</u>	<u>172,878</u>
2.7 : Long term loans and advances	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Loan to holding company and other group companies	894,939	791,498
Advance tax, net of provision for income taxes	103	498
Security deposits	-	504
	<u>895,042</u>	<u>792,500</u>
2.8 : Cash and bank balances	As at 31 March 2016	As at 31 March 2015
Cash on hand	6	3
Bank balances		
In current accounts	963	6,307
	<u>969</u>	<u>6,310</u>
2.9 : Short term loans and advances	As at 31 March 2016	As at 31 March 2015
Unsecured		
<i>Considered good</i>		
Balances with statutory agencies	1,476	12
Prepaid expenses	17	581
Other advances	197	255
	<u>1,690</u>	<u>848</u>
2.10 : Other current assets	As at 31 March 2016	As at 31 March 2015
<i>Considered good</i>		
Other receivables from holding company and other group companies	-	8,785
Other current assets	527	257
	<u>527</u>	<u>9,042</u>

Reddy Pharma Italia S.R.L

Notes to Financial Statements

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

Note 2.11 : Other Expenses	For the year ended 31 March 2016	For the year ended 31 March 2015
Legal and professional	2,833	1,786
Travelling and conveyance	34	405
Communication	232	356
Rent	1,821	2,502
Printing and stationery	431	953
Auditors' remuneration	1,345	842
Other general expenses	1,299	2,149
	<u><u>7,995</u></u>	<u><u>8,993</u></u>

2.12: Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016 (previous year: Nil).

2.13: Related party disclosures

a. The Company has the following related party transactions:

Particulars	For the year ended 31 March 2016	For the year ended 31 March 2015
i. Other operating revenues from holding company and other group companies:		
Dr. Reddy's Srl	-	2,497

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

Particulars	As at 31 March 2016	As at 31 March 2015
i. Due from holding company and other group companies (included in long term loans and advances):		
Dr. Reddy's Srl	894,939	791,498
ii. Due from holding company & other group companies(Included in Other Current assets) :		
Dr. Reddy's Srl	-	8,785
iii. Due to holding company and other group companies (included in long term borrowings):		
Lacock Holdings Limited	1,183,325	1,054,547

Reddy Pharma Italia S.R.L

Notes to Financial Statements

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

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

Sameer Natu
Director

Place: Hyderabad
Date: 9 May 2016

INDEPENDENT AUDITOR'S REPORT

To the Members of **Reddy Pharma SAS**

We have audited the accompanying financial statements of **Reddy Pharma SAS**, a company incorporated and administered outside India, which comprises the Balance Sheet as at 31 March 2016, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 financial control relevant to the Company's preparation and presentation 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 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 2016;
- (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: 9 May 2016

Reddy Pharma SAS
Balance Sheet

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

	Note	As at 31 March 2016
EQUITY AND LIABILITIES		
Shareholders' funds		
Share capital	2.1	36,056
Reserves and surplus	2.2	(18,867)
		<u>17,189</u>
Current liabilities		
Other current liabilities	2.3	5,941
		<u>5,941</u>
	TOTAL	<u>23,130</u>
ASSETS		
Non current assets		
Fixed assets		
Tangible assets	2.4	97
		<u>97</u>
Current assets		
Cash and bank balances	2.5	22,720
Short term loans and advances	2.6	313
		<u>23,033</u>
	TOTAL	<u>23,130</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

A Ramachandra Rao

Partner

Membership No. 9750

Place: Hyderabad

Date: 9 May 2016

for and on behalf of the Board of Directors

Sameer Natu

Director

Subir Kohli

Director

Reddy Pharma SAS
Statement of Profit and Loss

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

	Note	For the period 29 October 2015 to 31 March 2016
Foreign exchange gain, net		1,249
Total revenue		<u>1,249</u>
Expenses		
Excise duty		
Employee benefits expense	2.7	12,091
Depreciation and amortisation expense	2.4	16
Other expenses	2.8	8,009
Total expenses		<u>20,116</u>
Loss before tax		(18,867)
Tax expense		-
Loss for the year		<u><u>(18,867)</u></u>
Earnings per share		
Basic - Par value EUR 1 per share		(76.09)
Diluted - Par value EUR 1 per share		(76.09)
Number of shares used in computing earnings per share		
Basic		247,945
Diluted		247,945

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

Subir Kohli
Director

Place: Hyderabad
Date: 9 May 2016

Reddy Pharma SAS**Cash Flow Statement**

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

**For the period
29 October 2015
to 31 March 2016**

Cash flows from / (used in) operating activities	
Loss before taxation	(18,867)
Adjustments:	
Depreciation and amortisation expense	16
Foreign exchange gain, net	(710)
Operating cash flows before working capital changes	(19,561)
<i>Changes in operating assets and liabilities</i>	
Other assets and liabilities, net	5,400
Cash used in operations	(14,161)
Income taxes paid, net	-
Net cash used in operating activities	(14,161)
Cash flows from / (used in) investing activities	
Purchase of fixed assets	(113)
Net cash from / (used in) investing activities	(113)
Cash flows from / (used in) financing activities	
Proceeds from issuance of share capital	36,056
Net cash from financing activities	36,056
Net increase / (decrease) in cash and cash equivalents	21,782
Cash and cash equivalents at the beginning of the year	-
Effect of foreign exchange gain on cash and cash equivalents	938
Cash and cash equivalents at the end of the year	22,720
Notes to the cash flow statement:	
Cash and cash equivalents at the end of the year	22,720
Other bank balances	-
Cash and bank balances at the end of the year	22,720

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 2016

for and on behalf of the Board of Directors

Sameer Natu

Director

Subir Kohli

Director

Reddy Pharma 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) 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.

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.

Reddy Pharma SAS
Significant accounting policies

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

Note 1: Significant accounting policies

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 Pharma 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 2016
Authorised	
1,000,000 equity shares of EUR 1 each	36,056
Issued	
500,000 equity shares of EUR 1 each	36,056
Subscribed and paid-up	
500,000 equity shares of EUR 1 each	36,056
	36,056

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

Particulars	As at 31 March 2016	
	No. of equity shares	Amount
Number of shares at the beginning of the year	-	-
Shares issued during the year	500,000	36,056
Number of shares outstanding at the end of the year	500,000	36,056

(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 2016	
	No. of equity shares	% of equity shares
Dr. Reddy's Laboratories SA	500,000	100

2.2 : Reserves and surplus

	As at 31 March 2016
Deficit	
Balance as at 29 October 2015	-
Add: Current period loss	(18,867)
Balance carried forward	(18,867)

2.3 : Other current liabilities

	As at 31 March 2016
Accrued expenses	3,840
Due to holding company and other group companies	113
Due to statutory authorities	285
Other current liabilities	928
Salary and bonus payable	775
	5,941

Reddy Pharma 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 : Fixed assets

Description	Gross Block			Depreciation				Net Block	
	As at 29.10.2015	Additions	Deletions	As at 31.03.2016	As at 29.10.2015	For the year	Deletions	As at 31.03.2016	As at 31.03.2016
Office Equipment	-	113	-	113	-	16	-	16	97
Total	-	113	-	113	-	16	-	16	97

Reddy Pharma SAS
Notes to Financial Statements

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

2.5 : Cash and bank balances

	As at 31 March 2016
Bank balances	
In current accounts	22,720
	22,720

2.6 : Short term loans and advances

	As at 31 March 2016
(Unsecured)	
<i>Considered good</i>	
Balances with Statutory Agencies	313
	313

2.7 : Employee benefits expense

	For the period 29 October 2015 to 31 March 2016
Salaries, wages and bonus	12,083
Staff welfare expenses	8
	12,091

2.8 : Other expenses

	For the period 29 October 2015 to 31 March 2016
Legal and professional	7,338
Rates and taxes	18
Audit fees	182
Travelling and conveyance	377
Communication	26
Printing and stationery	7
Other general expenses	62
	8,009

2.9 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 31 March 2016

Reddy Pharma SAS
Notes to Financial Statements

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

2.10 : Related Party Transactions

The company has the following amounts due from/to related parties

Particulars	As at 31 March 2016
Reddy Pharma Iberia SA	113

2.11 : The company was incorporated on 29 October 2015. Accordingly, comparative figures are not presented

2.12 : The Company incorporated in France, 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

Sameer Natu
Director

A Ramachandra Rao
Partner
Membership No. 9750

Subir Kohli
Director

Place: Hyderabad
Date: 9 May 2016

INDEPENDENT AUDITOR'S 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 21 November 2015, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of the 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, 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; and design, implementation and maintenance of 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.

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 of the Act. 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 financial control relevant to the Company's preparation and presentation 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 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 21 November 2015;
- (b) 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: 21 November 2015

Reddy Specialities GmbH
Balance Sheet

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

	Note	As at 21 November 2015	As at 31 March 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	-	1,350
Reserves and surplus	2.2	-	177
		-	1,527
Current liabilities			
Other current liabilities	2.3	-	292
		-	292
	TOTAL	-	1,819
ASSETS			
Current assets			
Cash and bank balances	2.4	-	1,817
Short term loans and advances	2.5	-	1
Other current assets	2.6	-	-
		-	1,819
	TOTAL	-	1,819

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: 21 November 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 period 1 April 2015 to 21 November 2015	For the period 1 April 2014 to 31 March 2015
Income			
Other income	2.7	-	398
Total revenue		<u>-</u>	<u>398</u>
Expenses			
Finance costs		-	-
Other expenses	2.8	-	397
Total expenses		<u>-</u>	<u>397</u>
Profit/(Loss) before tax		-	1
Tax expense	2.9	-	-
Profit/(Loss) for the year		<u><u>-</u></u>	<u><u>1</u></u>

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

As per our report of even date attached

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

for and on behalf of the Board of Directors

Dr. Clemens J. Troche
Director

A Ramachandra Rao
Partner
Membership No. 9750

Abhijit Mukherjee
Director

Place: Hyderabad
Date: 21 November 2015

Reddy Specialities GmbH
Cash Flow Statement

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

	For the period 1 April 2015 to 21 November 2015	For the period 1 April 2014 to 31 March 2015
Cash flows from / (used in) operating activities		
Profit / (loss) before taxation	-	1
Adjustments:		
Foreign exchange (gain) / loss, net	-	-
Interest income	-	(398)
Operating cash flows before working capital changes	-	(397)
<i>Changes in operating assets and liabilities</i>		
Other assets and liabilities, net	(291)	343
Cash generated from / (used in) operations	(291)	(54)
Income taxes paid, net	-	-
Net cash from / (used in) operating activities	(291)	(54)
Cash flows from / (used in) investing activities		
Interest received	-	398
Net cash from / (used in) investing activities	-	398
Cash flows from / (used in) financing activities		
Amount paid to equity share holders on account of merger of the entity	(1,527)	
Net cash from / (used in) financing activities	(1,527)	-
Net increase / (decrease) in cash and cash equivalents	(1,817)	344
Cash and cash equivalents at the beginning of the year	1,817	1,869
Effect of foreign exchange gain/(loss) on cash and cash equivalents	-	(396)
Cash and cash equivalents at the end of the year	-	1,817
 Notes to the cash flow statement:		
Cash and cash equivalents at the end of the year	-	1,817
Other bank balances	-	-
Cash and bank balances at the end of the year	-	1,817

Notes to cash flow statement

Write off of reserves pursuant to merger with holding company

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: 21 November 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 21 November 2015	As at 31 March 2015
Authorised		
NIL (previous year : Euro 25,000)*	1,350	1,350
Issued		
NIL (previous year : Euro 25,000)*	1,350	1,350
Subscribed and paid-up		
NIL (previous year : Euro 25,000)*	1,350	1,350
Less: Balance in deficit account transferred to capital account on account of merger of the entity with Reddy Holding GmbH	177	-
Less: Amount paid to equity shareholders on account of merger of entity with Reddy Holding GmbH (Refer Note 2.14)	(1,527)	-
	-	1,350

*It is not required to disclose the nature and number of shares for this company

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

Particulars	As at 31 March 2016		As at 31 March 2015	
	Amount in Euros ('000)	% of equity shares	Amount in Euros ('000)	% of equity shares
Reddy Holding GmbH	-	-	25	100

2.2 : Reserves and surplus

	As at 21 November 2015	As at 31 March 2015
Foreign currency translation reserve		
Balance at the beginning of the year	47,807	48,008
Movement during the year	-	(201)
Less :Surplus transferred to deficit account on account of merger of the entity with Reddy Holding GmbH	(47,807)	-
	-	47,807
Deficit		
Balance at the beginning of the year	(47,630)	(47,631)
Add: Current year profit / (loss)	-	1
Add: Transfer from Foreign currency translation reserve on account of merger of the entity with Reddy Holding GmbH	47,807	
Less: Transfer to capital account on account of merger of the entity with Reddy Holding GmbH	(177)	-
Balance carried forward	-	(47,630)
	-	177

Reddy Specialities GmbH

Notes to Financial Statements

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

2.3 : Other current liabilities

	As at 21 November 2015	As at 31 March 2015
Other current liabilities	-	292
	<u>-</u>	<u>292</u>

2.4 : Cash and bank balances

	As at 21 November 2015	As at 31 March 2015
Bank balances		
In current accounts	-	1,817
	<u>-</u>	<u>1,817</u>

Reddy Specialities GmbH

Notes to Financial Statements

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

Note 2: Notes to financial statements (continued)

2.5 : Short term loans and advances

Unsecured	As at 21 November 2015	As at 31 March 2015
<i>Considered good</i>		
Advance tax, net of provision for income taxes	-	1
	<u>-</u>	<u>1</u>

2.6 : Other current assets

	As at 21 November 2015	As at 31 March 2015
<i>Considered good</i>		
Other current assets	-	-
	<u>-</u>	<u>-</u>

2.7 : Other income

	For the period 1 April 2015 to 21 November 2015	For the period 1 April 2014 to 31 March 2015
Interest income	-	398
	<u>-</u>	<u>398</u>

2.8 : Other expenses

	For the period 1 April 2015 to 21 November 2015	For the period 1 April 2014 to 31 March 2015
Legal and professional	-	350
Rates and taxes	-	27
Other general expenses	-	20
	<u>-</u>	<u>397</u>

2.9 : Commitments and contingent liabilities

There were no commitments or contingent liabilities as at 21 November 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 21 November 2015 and 31 March 2015, 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.

Reddy Specialities GmbH

Notes to Financial Statements

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

2.14 : Merger of the entity

On 21 November 2015, Reddy Specialities GmbH was merged into Reddy holding GmbH by way of absorption under the provisions of German Transformation Act. Accordingly, all the assets and liabilities including the rights and duties were transferred to 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: 21 November 2015

for and on behalf of the Board of Directors

Dr. Clemens J. Troche

Director

Abhijit Mukherjee

Director